

***United States Court of Appeals
for the Second Circuit***



APPENDIX

74-2405

In The
United States Court of Appeals

For The Second Circuit

GERALD L. HERZFELD,

Plaintiff-Appellee.

- against -

LAVENTHOL, KREKSTEIN, HORWATH & HORWATH,

Defendant-Appellant.

LAVENTHOL, KREKSTEIN, HORWATH & HORWATH,

Third-Party Plaintiff-Appellee,

- against -

ALLEN & COMPANY, INCORPORATED and ALLEN & COMPANY,

Third-Party Defendants-Appellants.

ALLEN & COMPANY and ALLEN & COMPANY
INCORPORATED,

Third-Party Counterclaimants-Appellants,

- against -

LAVENTHOL, KREKSTEIN, HORWATH & HORWATH,

Third-Party Counterclaim Respondent-Appellee.

JOINT APPENDIX

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& SZABAD

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Ridgeway Associates

E201

1653 SUNSET PLAZA DRIVE • LOS ANGELES • CALIFORNIA 90068

INVOICE

PLEASE PAY
FROM THIS INVOICE
NO STATEMENT WILL BE
MAILED UNLESS REQUESTED

SOLD TO

The Firestone Group Ltd.
342 North Rodeo Drive
Beverly Hills, California

INVOICE 2430

INVOICE DATE:

10/31/69

CUSTOMER'S P.O. No.:

OUR ORDER No.:

3765

TERMS:

22 10 days - NET 30

TERMS OF PAYMENT ARE AS INDICATED. CHARGES OF 1% PER MONTH WILL BE CHARGED ON ALL PAST DUE ACCOUNTS.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
0	Imprint Customer Stock Post Cards 2 sides Ballot Cards	sales tax	\$14.00 .70 <u>\$14.70</u>

Ridgeway Associates

1653 SUNSET PLAZA DRIVE • LOS ANGELES • CALIFORNIA 90069

INVOICE

PLEASE PAY
FROM THIS INVOICE
NO STATEMENT WILL BE
MAILED UNLESS REQUESTED

SOLD TO

INVOICE 2583

10/31/69

INVOICE DATE:

The Firestone Group Ltd.
342 North Rodeo Drive
Beverly Hills, California

CUSTOMER'S P.O. No.:

OUR ORDER No.:

3613

TERMS:

2% 10 days - Net 30

TERMS OF PAYMENT ARE AS INDICATED. CHARGES OF 1% PER
MONTH WILL BE CHARGED ON ALL PAST DUE ACCOUNTS.

fold
.....

QUANTITY	DESCRIPTION	PRICE	AMOUNT
2,000	'A Guide to Real Estate Investment' complete	- sales tax	\$5,200.00 260.00 \$5,460.00

E202





Ridgeway Associates

E203

1653 SUNSET PLAZA DRIVE • LOS ANGELES • CALIFORNIA 90066

INVOICE

PLEASE PAY
FROM THIS INVOICE
NO STATEMENT WILL BE
MAILED UNLESS REQUESTED

SOLD TO

The Firestone Group Ltd.
342 North Rodeo Drive
Beverly Hills, California

INVOICE 2605

INVOICE DATE:

10/13/69

CUSTOMER'S P.O. No.:

OUR ORDER No.:

3873

TERMS:

27 10 days - NET 30

TERMS OF PAYMENT ARE AS INDICATED. CHARGES OF 1% PER MONTH WILL BE CHARGED ON ALL PAST DUE ACCOUNTS.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
200	'The Profit Potential of Recreational Land' Correction of 2 pages Profit Potential of Recreational Land		\$1,020.00
200			149.00
			\$1,169.00
		sales tax	58.45
			<u>\$1,227.45</u>

268

Ridgeway Associates

E 204

1653 SUNSET PLAZA DRIVE • LOS ANGELES • CALIFORNIA 90069

INVOICE

PLEASE PAY
FROM THIS INVOICE
NO STATEMENT WILL BE
MAILED UNLESS REQUESTED

SOLD TO

The Firestone Group Ltd.
342 North Rodeo Drive
Beverly Hills, California

INVOICE 2603

INVOICE DATE:

10/11/69

CUSTOMER'S P.O. No.:

OUR ORDER No.:

3874

TERMS:

27 10 days - NET 30

TERMS OF PAYMENT ARE AS INDICATED. CHARGES OF 1% PER
MONTH WILL BE CHARGED ON ALL PAST DUE ACCOUNTS.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
200	'Solo Cocinero Prospectus Books'		\$4,620.00
		sales tax	231.00
			\$4,851.00
		Less Deposit	1,000.00
			\$3,851.00



E205

ATTN: Paul Levi

ATTACHED IS STATEMENT OF ACCOUNT FOR FIRESTONE
GROUP, AS YOU REQUESTED IN YOUR PHONE CONVERSATION
OF DECEMBER 1, 1969.

JUDI CRITZ
Accounts Receivable

LIST OF UNPAID INVOICES

E206

GENERAL BINDING CORPORATION & SUBSIDIARIES

GENERAL BINDING SALES CORPORATION • GBC SALES & SERVICE, INC.
 COLLMATIC, INC. • W. E. THOMAS CORP. • VIRGINIA LAMINATING CO. • WATSON, INC.
 BOND STATION COMPANY • NORTH AMERICAN PACKAGING INC. • STELLAR VINYL COMPANY
 CENTRAL ACCOUNTING OFFICE
 1101 SKOKIE BOULEVARD • NORTHBROOK, ILLINOIS • PHONE CRESTWOOD 2-9700

THE FIRESTONE GROUP
 342 NORTH RODEO ROAD
 BEVERLY HILLS CALIF 90210

DATE	REFERENCE	CHARGES	CREDITS	BALANCE
BALANCE FORWARDED				
7-31-69	11-570833	5,769.75		
8-28-69	CASH		1,147.95	
9-29-69	CASH		1,147.95	
9-18-69	11-576782	898.80		
10-30-69	11-582776	379.50		
10-30-69	11-367926	411.95		
11-07-69	11-594234	416.68		
			total	5,580.78

THIS IS AN ODLAID COPY OF OPEN AND UNPAID INVOICES

LAST AMOUNT IN THIS COLUMN IS AMOUNT DUE ON THESE INVOICES

Beverly-Cross Agency

E207

9405 Brighton Way • Beverly Hills • 90210 • 274-8931 • 272-7112
1281 Westwood Blvd. • West Los Angeles • 90024 • 478-9863 • 272-0952

December 2, 1969

Mr. Paul Levine
Laventhol, Krecksten, Horwath & Horwath
3700 Wilshire Boulevard
Los Angeles, California 90005

Dear Mr. Levine:

The following is a list of payments due the Beverly-Cross Agency from the Firestone Group that was requested by Mr. Gary Miller in our phone conversation today:

<u>Invoice Date</u>	<u>Applicant Name</u>	<u>Amount Due</u>
8/8/69	Judith Smith	\$390.00
8/18/69	Helen Alford	360.00
8/24/69	Elizabeth White	570.00
8/27/69	Catherine Kelly	330.00
9/8/69	Marcia Parker	360.00
9/9/69	Jacquelyn Ostere	360.00
9/27/69	Linda Clark	450.00
10/6/69	Kathy Wolf	315.00
10/13/69	Clare Schulberg	300.00
10/17/69	Ann Elizabeth Carmichael	315.00

Sincerely,

Joyce Cooper

Joyce Cooper

E208

AIRWAYS CHARTER

CERTIFICATED AIR TAXI • COMMERCIAL OPERATOR

WE MEET ALL FLIGHTS



A DIVISION OF TOWLE PRODUCTS, INC.

Box 2614, Oakland International Airport, Oakland, California 94614 • Telephone (415) 638-1057

ICE NO.

DATE 12-1-69

TO: The Firestone Group
342 North Rodeo Drive
Beverly Hills, California 90035

CUSTOMER ORDER NO.

TERMS: NET CASH

PLEASE PAY ON INVOICE

STATEMENT

Balance as of our Statement of 1 November 1969	\$ 1,099.00
Charges for the month of November 1969:	
11-16-69 Invoice # 5370	255.00
11-21-69 Invoice # 5376	245.00
Total balance due	<u>\$ 1,599.00</u>
Thank you.	

PLEASE PAY ON INVOICE

SUBJECT TO 2% INTEREST PER MO. AFTER 30 DAYS

REQUEST FOR INFORMATION OR COPIES. Present in Duplicate to Filing Officer E209

INFORMATION REQUEST. Filing officer please furnish certificate showing whether there is on file any presently effective financing statement naming the Debtor listed below and any statement of assignment thereof, and if there is, giving the date and hour of filing of each such statement and the names and addresses of each secured party named therein.

DEBTOR (LAST NAME FIRST) FIRESTONE Group Ltd., The		F.B. DOC. REC. OR FED. TAX NO. 95-2570680	
MAILING ADDRESS 342 North Rodeo Drive		CITY, STATE Beverly Hills, CALIF	ZIP CODE 90210
Date November 26, 1969		Signature of Requesting Party <i>Jeffrey Pollard</i>	

CERTIFICATE:

FILE NUMBER	DATE AND HOUR OF FILING	NAME(S) AND ADDRESS(ES) OF SECURED PARTY(IES) AND ASSIGNEE(S), IF ANY

The undersigned filing officer hereby certifies that the above listing is a record of all presently effective financing statements and statements of assignment which name the above debtor and which are on file in my office as of _____ 19__ at _____ M.

(DATE) 19__

(FILING OFFICER)

By: _____

COPY REQUEST. Filing officer please furnish _____ copy(ies) of each page of the following statements concerning the debtors listed below ☐ Financing Statement ☐ Amendments ☐ Statements of Assignment ☐ Continuation Statements ☐ Statement of Release ☐ Termination Statement ☐ All Statements on file.

FILE NUMBER	DATE OF FILING	NAME(S) AND MAILING ADDRESS(ES) OF DEBTOR(S)	DEBTOR'S SOC. SEC. OR FED. TAX NO.

Date _____ 19__ Signature of Requesting Party _____

CERTIFICATE

The undersigned filing officer hereby certifies that the attached copies are true and exact copies of all statements requested above.

(DATE) 19__

(FILING OFFICER)

By: _____

R931093

Mail Information or Copies to
LAVENTHOL KREKSTEIN HORWATH
AND HORWATH

3700 WILSHIRE BOULEVARD
LOS ANGELES, CALIF 90005SS66331 SEC 5 69

5.0072

275

E210



DEPARTMENT OF STATE
FRANK M. JORDAN, SECRETARY OF STATE
SACRAMENTO

08 DEC 69

CERTIFICATE REQUESTED ON-
* THE FIRESTONE GROUP LTD
342 N RODEO DR BEVERLY HILLS CALIF 90210
952-57-0680 IDENT. NO.

* FINANCING STATEMENT FILED 19 APR 67, TIME 1153, FILE NO 67-032257

DEBTOR OR
TRADENAME FIRESTONE GROUP
342 N RODEO DR
BEVERLY HILLS, CALIF.
056-24-3168 IDENT. NO.

SECURED PARTY SINGER CREDIT CORP
3450 WILSHIRE BLVD, LOS ANGELES, CALIF.

* FINANCING STATEMENT FILED 10 JULY 69, TIME 0800, FILE NO 69-061797

DEBTOR OR
TRADENAME THE FIRESTONE GROUP
332 N RODEO RD
BEVERLY HILLS, CALIF.
952-57-0680 IDENT. NO.

SECURED PARTY FRIDEN DIV THE SINGER CO
2350 WASHINGTON AVE, SAN LEANDRO, CALIF.

* FINANCING STATEMENT FILED 15 SEPT 69, TIME 0800, FILE NO 69-081902

DEBTOR OR
TRADENAME THE FIRESTONE GROUP LTD
332 N RODEO RD
BEVERLY HILLS, CALIF.

SECURED PARTY FRIDEN DIV
825 S HOOVER, LOS ANGELES, CALIF.

*THE UNDERSIGNED FILING OFFICER HEREBY CERTIFIES THAT THE ABOVE LISTING IS A RECORD OF ALL PRESENTLY EFFECTIVE FINANCING STATEMENTS, STATEMENTS OF ASSIGNMENT AND FEDERAL TAX LIENS WHICH NAME THE ABOVE DEBTOR AND WHICH ARE ON FILE IN MY OFFICE AS OF 04 DEC 1969 AT 1700 HOURS.

FRANK M. JORDAN
SECRETARY OF STATE

CERTIFICATE 931093-69338

PAGE 1 OF 1

DETACH ALONG DOTTED LINE

THE ENCLOSED COPIES OR INFORMATION ARE BEING SENT PURSUANT TO YOUR REQUEST. PLEASE SEND THE STATUS-YOUR FILE INDICATED AND RETURN THIS SECTION OF THE CERTIFICATE WITH THE FEE TO-
UNIFORM COMMERCIAL CODE DIVISION
OFFICE OF THE SECRETARY OF STATE
P.O. BOX 1730
SACRAMENTO, CALIFORNIA 95803

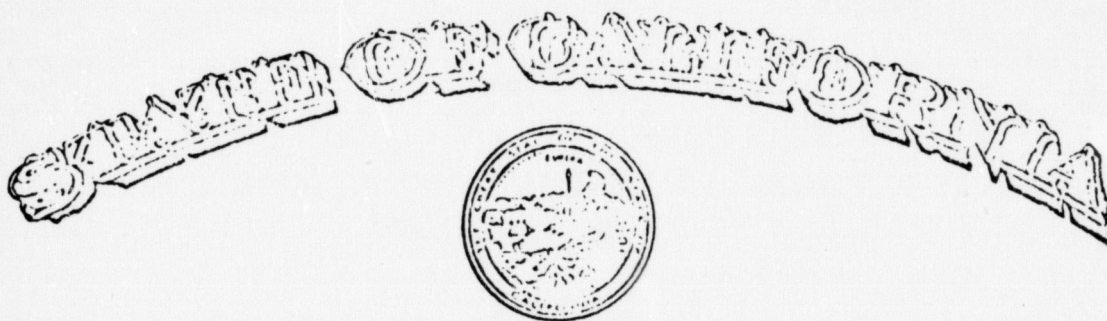
CERTIFICATE FEE	5.00
TOTAL FEE	5.00
AMOUNT APPLIED	5.00
BALANCE DUE	.00

MAKE REMITTANCES PAYABLE TO-

FRANK M. JORDAN
SECRETARY OF STATE
CERTIFICATE 931093-69338

LAVENTHOL KREKSTEIN HORWATH & HORWATH
3700 WILSHIRE BLVD
LOS ANGELES CALIF 90005

E211



DEPARTMENT OF STATE
FRANK M. JORDAN, SECRETARY OF STATE
SACRAMENTO

CERTIFICATE REQUESTED ON
61093 *

08 DEC 69

THE FIRESTONE GROUP LTD
342 N RODEO DR BEVERLY HILLS CALIF 90210
952-57-0680 IDENT. NO.

A SEARCH FOR INFORMATION UNDER THE ABOVE NAME AND ADDRESS ALSO
REVEALED THE FOLLOWING FILINGS FOR DEBTORS WITH THE SAME OR SIMILAR
NAME. THIS ADDITIONAL INFORMATION IS NOT A PART OF THE ATTACHED
CERTIFICATE AND DOES NOT NECESSARILY REPRESENT A COMPLETE LISTING OF
DEBTOR NAMES WHICH MAY BE CONSIDERED SIMILAR TO THE NAME UNDER WHICH
THE SEARCH WAS MADE.

IF COPIES OF THE FILINGS ARE DESIRED, YOUR REQUEST MUST SHOW THE
INFORMATION EXACTLY AS PRINTED BELOW. THE MINIMUM FEE OF ONE DOLLAR
PER COPY SHOULD ACCOMPANY THE REQUEST.

FILE NO

008066 THE FIRESTONE GROUP 6356 FOUNTAIN AVE LOS ANGELES, CAL 90000

EXHIBIT 37B - REQUEST FOR CONFIRMATION E212
REQUEST FOR CONFIRMATION OF AMOUNTS DUE US

Audio Parque Boro

Dec. 3, 1969

n:

In connection with an audit of our records, will you kindly confirm directly to our
, LAVENTHOL KREKSTEIN HORWATH & HORWATH, Certified Public Accountants, in the space provided
the correctness of the amount indicated or any exception you may take thereto.

An addressed, postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.
342 NORTH RODEO DRIVE
BEVERLY HILLS, CALIF. 90210

By Clinton M. Wadley

C O N F I R M A T I O N

DL KREKSTEIN HORWATH & HORWATH,
Public Accountants
ro Boulevard
s, California 90005

n:

This will confirm our indebtedness of \$ 8,010. at 11/30/69,
s stated below.

(please state details, dates, etc.) _____

Date 12/3/69

Signed Charles A. Sefton

By _____

Title Exec. Coordinator

REQUEST FOR CONFIRMATION OF AMOUNTS DUE USE213

Almyrita Ranch

Dec 3, 19 69

lemen:

In connection with an audit of our records, will you kindly confirm directly to our
tors, LAVENTHOL KREKSTEIN HORWATH & HORWATH, Certified Public Accountants, in the space provided
v, the correctness of the amount indicated or any exception you may take thereto.

An addressed, postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.
312 NORTH RODEO DRIVE
BEVERLY HILLS, CALIF. 90210

By

Clinton M. Wadley

CONFIRMATION

NTHOL KREKSTEIN HORWATH & HORWATH,
ed Public Accountants
ilshire Boulevard
ngeles, California 90005

lemen:

This will confirm our indebtedness of \$ 1,338.54 at 11/30/68,
ot as stated below. 880.00

orks (please state details, dates, etc.)

The above amount is correct.

Date

12/3/69

Signed

Paul A. de Gues

By

Title

Exec. Coordinator

REQUEST FOR CONFIRMATION OF AMOUNTS DUE US E214

Mr. Yander Rejo

Dec. 3, 19 69

men:

In connection with an audit of our records, will you kindly confirm directly to our
rs, LAVENTHOL KREKSTEIN HORWATH & HORWATH, Certified Public Accountants, in the space provided
the correctness of the amount indicated or any exception you may take thereto.

An addressed, postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.
312 NORTH RODEO DRIVE
BEVERLY HILLS, CALIF. 90210

By

Chuter M. Madley

CONFIRMATION

HOL KREKSTEIN HORWATH & HORWATH,
Public Accountants
shire Boulevard
cles, California 90005

men:

This will confirm our indebtedness of \$ 2709.44 at 11/30/69,
as stated below.
880.00

ts (please state details, dates, etc.)

The above amount is correct.

Date

12/3/69

Signed

Paul A. DeSue

By

Title

Exec. Coordinator

REQUEST FOR CONFIRMATION OF AMOUNTS DUE US E215

Ante Fee Ranch

Dec. 3 19 69

emen:

In connection with an audit of our records, will you kindly confirm directly to our
ors, LAVENTHOL KREKSTEIN HORWATH & HORWATH, Certified Public Accountants, in the space provided
, the correctness of the amount indicated or any exception you may take thereto.

An addressed, postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.
342 NORTH RODEO DRIVE
BEVERLY HILLS, CALIF. 90210

By Clinton M. Wadley

CONFIRMATION

THOL KREKSTEIN HORWATH & HORWATH,
d Public Accountants
lshire Boulevard
geles, California 90005

emen:

This will confirm our indebtedness of \$ 21,181.50 at 11/30/69,
t as stated below. 880.00

ks (please state details, dates, etc.) _____

The above amount is correct.

Date 12/3/69

Signed James A. DePue

By _____

Title Exec - Coordinator

REQUEST FOR CONFIRMATION OF AMOUNTS DUE US E216

Auto Pitkin Ranch

Dec 3, 19 69

men:

In connection with an audit of our records, will you kindly confirm directly to our
s, LAVENTHOL KREKSTEIN HORWATH & HORWATH, Certified Public Accountants, in the space provided
the correctness of the amount indicated or any exception you may take thereto.

An addressed, postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.
312 NORTH RODEO DRIVE
BEVERLY HILLS, CALIF. 90210

By

Clinton M. Waller

C O N F I R M A T I O N

HOL KREKSTEIN HORWATH & HORWATH,
Public Accountants
shire Boulevard
es, California 90005

men:

This will confirm our indebtedness of \$ 2,119.12 at 11/30/69,
as stated below. 880.00

(please state details, dates, etc.)

The above amount is due

Date

12/3/69

Signed

Donald A. Seares

By

Title

Exec. - Coordinator

REQUEST FOR CONFIRMATION OF AMOUNTS DUE US E217

Mr. Hueva Crema

Dec. 3, 1969

on:

In connection with an audit of our records, will you kindly confirm directly to our
s, LAVENTHOL KREKSTEIN HORWATH & HORWATH, Certified Public Accountants, in the space provided
the correctness of the amount indicated or any exception you may take thereto.

An addressed, postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.
342 NORTH RODEO DRIVE
BEVERLY HILLS, CALIF. 90210

By Clutter M. Woodley

CONFIRMATION

HOL KREKSTEIN HORWATH & HORWATH,
Public Accountants
shire Boulevard
es, California 90005

en:

This will confirm our indebtedness of \$ 1487.50 at 11/30/69,
as stated below.

(please state details, dates, etc.)

Advance funds of \$1000.00 for accty. fees
advance funds 1st 487.50 to pay for legal fees (Bank, Koenig, Kay)
The total amount above is correct.

Date 12/3/69

Signed Gene M. Woodley

By

Title Exec - Coordinator

1010-100001

64

NEW YORK CHICAGO CLEVELAND DETROIT LOS ANGELES

E218

FORM 1000

	INITIALS	DATE
PREPARED BY		
APPROVED BY		

INFORMATION FROM THE FIRESTONE GROUP, LTD. AFFILIATES

11/30/69

(2)	(3)	(4)	(5)	(6)	(7)	LINE NO.
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NATIONS

	(2)	(3)	(4)	(5)	(6)	(7)	DATE
<u>INFORMATION:</u>							
(1) STANDARD BANK CONFIRMATIONS					DONE		11/24/69
(2) BANK CUTOFF					DONE		11/24/69
(3) NOTES PAYABLE					DONE		11/24/69
(4) ATTORNEY REPRESENTATION					DONE		11/24/69
(5) INSURANCE CONFIRMATION					DONE		11/24/69
(6) ESCROW DEPOSITS					DONE		11/24/69
(7) TRUST ACCOUNT					DONE		11/24/69
(8) MANAGEMENT REPRESENTATION					Red'done		

The Firestone Group, Ltd.

E220

INVESTMENT DIVISION

342 NORTH RODEO DRIVE ♦ BEVERLY HILLS, CALIFORNIA ♦ CR 8-1520

November 24, 1969

Mr. Ralph Frank
Frank, Koenig & Kallman
9570 Wilshire Boulevard
Beverly Hills, California 90210

Dear Mr. Frank:

Our auditors, Laventhol Krekstein Horwath & Horwath, Certified Public Accountants, 3700 Wilshire Boulevard, Los Angeles, California 90005, are conducting an examination of our accounts and those of our subsidiaries as of November 30, 1969. In connection therewith, please inform them regarding the following:

1. Nature and amount involved of any pending lawsuits or other actions in which the company is a defendant.
2. Your opinion as to the probable outcome of such suits and of the company's liability thereunder.
3. Nature and amount of any other direct or indirect liabilities of the company of which you may have knowledge.
4. Pending litigation in which the company is the plaintiff.
5. The amount of any unpaid fees and expenses, billed or unbilled due you at November 25, 1969.

Your prompt response to this request will be appreciated. An addressed postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.

Chester P. Wadley
Chester P. Wadley
Comptroller

CPW:ck
Enclosure

The Firestone Group, Ltd.

E221

INVESTMENT DIVISION

342 NORTH RODEO DRIVE ♦ BEVERLY HILLS, CALIFORNIA ♦ CR 2-1520

November 24, 1969

Mr. Samuel Freshman
Freshman, Marantz, Comsky & Deutsch
Suite 530
9171 Wilshire Blvd.
Beverly Hills, California 90212

Dear Mr. Freshman:

Our auditors, Laventhol Krekstein Horwath & Horwath, Certified Public Accountants, 3700 Wilshire Boulevard, Los Angeles, California 90005, are conducting an examination of our accounts and those of our subsidiaries as of November 30, 1969. In connection therewith, please inform them regarding the following:

1. Nature and amount involved of any pending lawsuits or other actions in which the company is a defendant.
2. Your opinion as to the probable outcome of such suits and of the company's liability thereunder.
3. Nature and amount of any other direct or indirect liabilities of the company of which you may have knowledge.
4. Pending litigation in which the company is the plaintiff.
5. The amount of any unpaid fees and expenses, billed or unbilled due you at November 25, 1969.

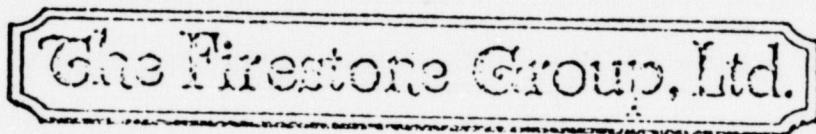
Your prompt response to this request will be appreciated. An addressed postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.

Chester P. Wadley
Chester P. Wadley
Comptroller

CPW:ck
Enclosure



E222

INVESTMENT DIVISION

342 NORTH RODEO DRIVE ♦ BEVERLY HILLS, CALIFORNIA ♦ CR 8-1890

November 24, 1969

Mr. Robert L. Littenberg
Suite 1007
6399 Wilshire Blvd.
Los Angeles, California 90048

Dear Mr. Littenberg:

Our auditors, Laventhol Krekstein Horwath & Horwath, Certified Public Accountants, 3700 Wilshire Boulevard, Los Angeles, California 90005, are conducting an examination of our accounts and those of our subsidiaries as of November 30, 1969. In connection therewith, please inform them regarding the following:

1. Nature and amount involved of any pending lawsuits or other actions in which the company is a defendant.
2. Your opinion as to the probable outcome of such suits and of the company's liability thereunder.
3. Nature and amount of any other direct or indirect liabilities of the company of which you may have knowledge.
4. Pending litigation in which the company is the plaintiff.
5. The amount of any unpaid fees and expenses, billed or unbilled due you at November 25, 1969.

Your prompt response to this request will be appreciated. An addressed postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.

Chester P. Wadley
Chester P. Wadley
Comptroller

CPW:ck
Enclosure





The Firestone Group, Ltd.

E223

INVESTMENT DIVISION

312 NORTH RODEO DRIVE ♦ BEVERLY HILLS, CALIFORNIA ♦ CR 8-1820

November 24, 1969

Mr. Robert Feinberg
Jacobs Persinger & Parker
70 Pine Street
New York City, New York 10005

Dear Mr. Feinberg:

Our auditors, Laventhol Krekstein Horwath & Horwath, Certified Public Accountants, 3700 Wilshire Boulevard, Los Angeles, California 90005, are conducting an examination of our accounts and those of our subsidiaries as of November 30, 1969. In connection therewith, please inform them regarding the following:

1. Nature and amount involved of any pending lawsuits or other actions in which the company is a defendant.
2. Your opinion as to the probable outcome of such suits and of the company's liability thereunder.
3. Nature and amount of any other direct or indirect liabilities of the company of which you may have knowledge.
4. Pending litigation in which the company is the plaintiff.
5. The amount of any unpaid fees and expenses, billed or unbilled due you at November 25, 1969.

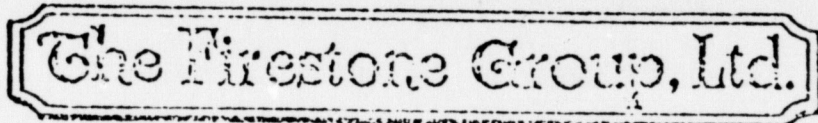
Your prompt response to this request will be appreciated. An addressed postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.

Chester P. Wadley
Chester P. Wadley
Comptroller

CPW:ck
Enclosure



E224

INVESTMENT DIVISION

342 NORTH RODEO DRIVE ♦ BEVERLY HILLS, CALIFORNIA ♦ CR 8-1550

November 24, 1969

Wyman, Bautzer, Finell, Rothman & Kuchel
9601 Wilshire Boulevard, Suite 726
Beverly Hills, California 90210

Gentlemen:

Our auditors, Laventhol Krekstein Horwath & Horwath, Certified Public Accountants, 3700 Wilshire Boulevard, Los Angeles, California 90005, are conducting an examination of our accounts and those of our subsidiaries as of November 30, 1969. In connection therewith, please inform them regarding the following:

1. Nature and amount involved of any pending lawsuits or other actions in which the company is a defendant.
2. Your opinion as to the probable outcome of such suits and of the company's liability thereunder.
3. Nature and amount of any other direct or indirect liabilities of the company of which you may have knowledge.
4. Pending litigation in which the company is the plaintiff.
5. The amount of any unpaid fees and expenses, billed or unbilled due you at November 25, 1969.

Your prompt response to this request will be appreciated. An addressed postage-free envelope is enclosed for your convenience.

Very truly yours,

THE FIRESTONE GROUP, LTD.

Chester P. Wadley
Chester P. Wadley
Comptroller

CPW:ck
Enclosure

E275

	INITIALS	DATE
PREPARED BY		
APPROVED BY		

TGF, LTD.

REPRESENTATION
LETTERS

11/25/69

(2)	(3)	(4)	(5)	(6)	(7)	(8)	LINE NO.
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E226

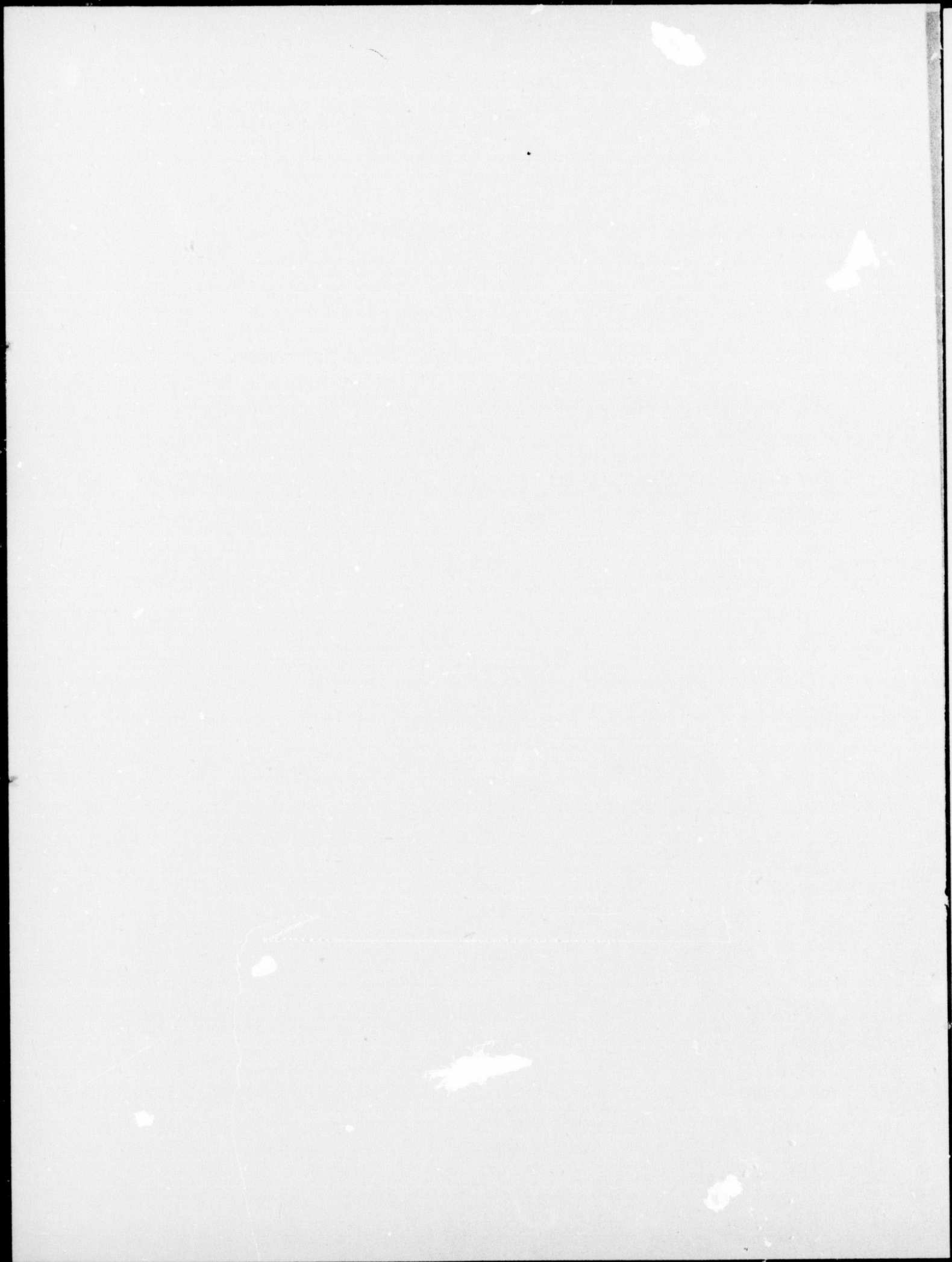
PREPARED BY	<i>Jan</i> 11/24
APPROVED BY	

REPRESENTATION

THE FIRESTONE GROUP, LTD.
342 NORTH RODEO DRIVE
BEVERLY HILLS, CALIF. 90210

11/25/69

					DATE		L I N E N O
					MAILED	RECEIVED	
RALPH FRANK					11/24/69		1
Koenig & Killman							2
WILSHIRE BLVD							3
# 825							4
Beverly Hills, Calif. 90210							5
M. M. Marmatz, Comsky & Deutch					11/24/69	received	6
WILSHIRE BLVD.							7
TE 530							8
Beverly Hills, Calif. 90210							9
ROBERT LITTENBERG					11/24/69	received	10
WILSHIRE BLVD							11
TE 1007							12
ANGELES CALIF.							13
H. ROBERT FUNBERG					11/24/69	12/1/69	14
PERS. PERSINGEL'S PARKER							15
PINE STREET							16
NEW YORK, NEW YORK 10005							17
M. DANIEL FINELL, ROTHMAN & NACHEL					11/24/69	12/1/69	18
WILSHIRE BLVD. SUITE 726							19
Beverly Hills, Calif. 90210							20
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RALPH R. FRANK
ROBERT H. KOENIG
PAUL KALLMAN

LAW OFFICES
FRANK, KOENIG & KALLMAN
SUITE 825 UNION BANK BUILDING
9460 WILSHIRE BOULEVARD
BEVERLY HILLS, CALIFORNIA 90212

E227

CRESTVIEW 4-6601
BRADSHAW 2-8231

November 30, 1969

The Firestone Group, Ltd.
342 North Rodeo Drive
Beverly Hills, California

LEGAL SERVICES RENDERED FOR 1969 to and including November, 1969;

Time for Mr. Frank billed at \$65.00 per hour

January 53.0 hours		
February 83.5 hours		
March 53.0 hours		
April 100.5 hours		
May 82.0 hours		
June 54.0 hours		
July 66.5 hours		
August 54.0 hours		
September 82.0 hours		
October 94.5 hours		
November 92.0 hours	= 555 hours at \$65.00	\$55,575.00

Time for Mr. Fehn billed at \$50.00 per hour

January 7 hours		
February 3 hours		
March 14 hours		
April 60 hours		
May 22.5 hours		
June 52.5 hours		
July 44 hours		
August 70 hours		
September 87.5 hours		
October 97 hours		
November 90 hours	= 557.5 hours at \$50.00	\$27,875.00

TOTAL \$83,450.00

Less amounts paid excluding reimbursement for costs

February 11, 1969		
Firestone Group, Ltd.	org. exp.	2,500.00
April 25, 1969		
Firestone Group, Ltd.	✓	2,500.00
June 6, 1969		
Huevo Crema	51E(12) 512-3m	4,000.00

RALPH R. FRANK
ROBERT H. KOENIG
PAUL KALLMAN

LAW OFFICES
FRANK, KOENIG & KALLMAN
SUITE 825 UNION BANK BUILDING
9460 WILSHIRE BOULEVARD
BEVERLY HILLS, CALIFORNIA 90212

E228

CRESTVIEW 4-6601
BRADSHAW 2-8231

November 30, 1969

The Firestone Group, Ltd.
342 North Rodeo Drive
Beverly Hills, California

LEGAL SERVICES RENDERED FOR 1969 to and including November, 1969;

Time for Mr. Frank billed at \$65.00 per hour

January 53.0 hours		
February 83.5 hours		
March 33.0 hours		
April 100.5 hours		
May 82.0 hours		
June 54.0 hours		
July 66.5 hours		
August 54.0 hours		
September 82.0 hours		
October 94.5 hours		
November 92.0 hours	= 555 hours at \$65.00	\$55,575.00

Time for Mr. Fehn billed at \$50.00 per hour

January 7 hours		
February 3 hours		
March 14 hours		
April 60 hours		
May 22.5 hours		
June 52.5 hours		
July 44 hours		
August 70 hours		
September 87.5 hours		
October 97 hours		
November 90 hours	= 557.5 hours at \$50.00	\$27,875.00

TOTAL \$83,450.00

Less amounts paid excluding reimbursement for costs

February 11, 1969		
Firestone Group, Ltd.	orig. wp.	2,500.00
April 25, 1969		
Firestone Group, Ltd.	✓	2,500.00
June 6, 1969		
Huevo Crema	5/21(?) 5/2-100	4,000.00

July 29, 1969	
Parque Boro (partial)	4,000.00
August 14, 1969	
Parque Boro	2,000.00
September 18, 1969	
Parque Boro	5,000.00
	<u>5,000.00</u>
LESS THESE PAYMENTS	\$20,000.00

TOTAL DUE

\$63,350.00

(A)

NOTE: Any additional payments received this year shall be deducted from the aforesaid bill. Further adjustments will be made for receipt of monies in 1970 based upon the 5 Hospitals Partnership; San Francisco United Partnership; Bata Balon Corporation; Solo Cosinero Corporation; Gancho Rojo; Continental Partnership; Corinthian Partnership; The 3 Hospitals Partnership.

(A) acknowledged by Scott → all to pending signature
per M. Schwall
J/E (40)

20. Jacobs Persinger & Parker

JACOBS PERSINGER & PARKER
70 PINE STREET
NEW YORK, N.Y. 10005

E230

212 344-1866

ABLE ADDRESS: JAPERPAR

November 26, 1969

Laventhol Krekstein Horwath & Horwath
3700 Wilshire Boulevard
Suite 900
Los Angeles, California 90005

Re: The Firestone Group, Ltd.

Dear Sirs:

By letter dated November 24, 1969, The Firestone Group, Ltd. requested us to furnish to you the following information for use in connection with your examination of its accounts and those of its subsidiaries as of November 30, 1969:

1. We have no knowledge of any pending lawsuits or other actions in which the Company or any of its subsidiaries is a plaintiff or defendant and have no knowledge of any litigation threatened against the Company or any of its subsidiaries, except for an action brought against The Firestone Group, Ltd. by Harold J. Marcus, Superior Court Case No. WEC17427, in which The Firestone Group, Ltd. is being represented by Messrs. Freshman, Marantz, Comsky & Deutsch, 9171 Wilshire Boulevard, Beverly Hills, California.

2. By our letter to you dated October 7, 1969, we indicated that the only direct or indirect liability of The Firestone Group, Ltd. of which we had knowledge was a statement dated September 30, 1969 of Sorg Printing Incorporated. We have no knowledge as to whether payment thereof has been made.

42
42
3. As of November 25, 1969, we had billed The Firestone Group, Ltd. for all professional services rendered and disbursements incurred through May 31, 1969 an aggregate of \$32,532.42 of which \$20,000 has been paid, leaving a balance of \$12,532.42. In addition, at November 25, 1969, we had accrued but not billed approximately \$20,000 for professional services rendered and disbursements incurred in connection with the preparation of a Registration Statement on Form S-11 covering the offering of limited partnership interests by The Cambridge Partnership through Firestone

E231

Laventhol Krekstein Horwath & Horwath

November 26, 1969

Securities Corporation and in connection with representation of The Firestone Group, Ltd. with respect to a private placement of promissory notes and shares of common stock being offered through Allen & Company Incorporated.

Very truly yours,

Joseph B. Singer & Parker

E232

LAW OFFICES

WYMAN, BAUTZER, FINELL, ROTHMAN & KUCHEL

9601 WILSHIRE BOULEVARD, SUITE 726
BEVERLY HILLS, CALIFORNIA 90210

AREA CODE 213

CRESTVIEW 3-1000 TREMONT 8-1000

CABLE ADDRESS: WYFINRO

WASHINGTON, D. C.

THOMAS H. KUCHEL
EDWARD WEINBERG
GEORGE MIRON

1211 CONNECTICUT AVENUE, N. W.
WASHINGTON, D. C. 20036
(202) 833-8300

NEW YORK

ARNOLD M. GRANT
OF COUNSEL

660 MADISON AVENUE
NEW YORK, NEW YORK 10021
(212) MURRAY HILL 8-3600

EUROPE

BARRY H. STERLING
OF COUNSEL

44 AVENUE DES CHAMPS ÉLYSÉES
PARIS 8^e, FRANCE
256-3370

JAMES R. ANDREWS
STEPHEN D. SILBERT
J. BRIN SCHULMAN
RICHARD S. GOLDSTEIN
RICHARD E. SOBELLE
LOYD W. REED
LOWELL R. WEDEMEYER
WILLIAM L. ZELTONOGA
EUGENE M. WEBB
TERRY N. CHRISTENSEN
JEROLD S. SHERMAN
GERALD M. CHIZEVER
MICHAEL P. KING
RONALD M. FRIEDMAN
BARRY A. FRIEDMAN
J. STANLEY SANDERS
ALLEN BLEIN
CRAIG D. CROCKWELL
PATRICK F. SHEEHY

OF COUNSEL
BERNARD D. CAHN

December 1, 1969

Laventhol Krekstein Horwath
& Horwath
Certified Public Accountants
3700 Wilshire Boulevard
Los Angeles, California 90005

Re: The Firestone Group, Ltd.

Gentlemen:

This is in reply to the letter of the Firestone Group, Ltd.
dated November 24, 1969, in which they requested that we give
you certain information.

1. As of November 30, 1969, we were not, and presently
are not, representing the Firestone Group, Ltd., or any of its
subsidiaries in any litigation.

2. We have no knowledge of any threatened or pending
claim which may result in any direct or indirect liability
of the Firestone Group, Ltd., or any of its subsidiaries.

3. At November 25, 1969, we had outstanding to the
Firestone Group, Ltd., one unpaid bill in the amount of
\$5,000.00 for services rendered.

Very truly yours,

Wyma, Bautzer, Finell, Rothman & Kuchel
WYMAN, BAUTZER, FINELL, ROTHMAN & KUCHEL

JPA/bg

FILE SEARCH.

NAME	LEGAL DESCRIPTION *
WICK	parcel 2 (306-050-03)
'edde ll	parcel 7 (306-040-04)
nelcher	parcel 4 (415-035-01)
B	
kunch	① parcel 3
munier	② parcel 1 (415-024-01)
toward	③ all certain property (306-040-08)
barbaccia	④ all of lots A & B
barbaccia	⑤ parcel 3
stelling	⑥ certain 169.06 Acres
Kerchy	⑦ PRM 110.95 acres parcel one
HOBSON	⑧ parcel two Lots 7 & 8
FILICE	⑨ parcel two all of lots 1 & 2
FILICE	⑩ portion of LAS ANIMAS RANCH Lot 11
MASON	⑪ parcel 3 Lot 1
FLORIO	⑫ parcel 1 portions of lots 10 & 1
<p>REQUESTS FOR TITLE SEARCH WERE MADE BY DONA AMERSON IN MY PRESENCE OF VARIOUS PARCELS SELECTED BY ME. TITLE COMPANIES ARE SENDING TO LKHH THE LEGAL DESCRIPTIONS, LEGAL OWNERS, AND LIENS AGAINST THE PROPERTY.</p> <p>PAUL SOLURSH</p>	

E234

LITTON 10-10-68	
INITIALS	DATE
PREPARED BY <i>[Signature]</i>	11/20/69
APPROVED BY	

The Freestone Group Ltd
Notes Receivable

11/20/69

(2)	(3)	(4)	(5)	(6)	(7)	
	Per Centage	Adjustments				
Zero Loan	2145634 - 9	4773 -		2150407 -	6.98%	1
Zero Bond	4448342 - ①	140852 -		4589200		2
Zero Lend	4773 -	② 4773 -				3
	6598749 -	145631	4773	6739607		4
				7/31		5
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E235

	INITIALS	DATE
PREPARED BY	SOLVER	12/1/89
APPROVED BY		

THE FIRESTONE GROUP LTD
C PAYABLE CONFIRMED (by telephone)

NAME	AMOUNT		END
AND ZOLA LIDCELL			1
1/0 LAWRENCE KENNEDY, ATTORNEY	SES NIP schedule		2
2145 FRENO ST (209-237-2121)	RHC		3
FRENO, CALIF 93720			4
C. FAHY HAWORTH & HAWORTH			5
			6
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ECCE (LA BARBERA)	(I) 285140	7.2%	9
6 ALBERT RUEFO (403-287-2233)	20530		10
675 No. 1st STREET	(II) 444160	7.2%	11
SAN JOSE	31980		12
			13
			14
IE ANGELINA	129109	6%	15
1/0 ALBERT RUEFO	8241		16
675 No. 1st STREET	ERNEST 110704	6%	17
SAN JOSE	7696	6%	18
			19
(LINDA PUMPER CONFIRMED BALANCES BY TELEPHONE			20
LETTER WILL FOLLOW)			21
FUNCH			22
1/0 WM. CROSSLANDS (233-6641)	9170950	7.527%	23
1171 FULTON MALL	9170950	✓	24
FRESNO, CALIF	9170950	✓	25
	9170950	✓	26
(WILLIAM CROSSLANDS TELEPHONE)	690300	7%	27
(will have client confirm)	690300	✓	28
	690300	✓	29
	690300	✓	30
	690300	✓	31
	690300	✓	32
			33
R. MELLER (call TUESDAY)			34
(209-439-5757)			35
CONFIRMED BALANCES WILL SEND WRITTEN CONFIRMATION			36

47

Post Office SYSTEMS CLEVELAND OHIO DALLAS LOS ANGELES

E236

	INITIALS	DATE
PREPARED BY		
APPROVED BY		

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ON	—	INSURANCE				4
BS	—	ATTORNEY				5
		{	Fiore	—	580 Thomas Road	6
			Masoni	—	ROUTE 2 Box 449	7
					Thomas Lane	8
STATE	TITLE	—				9
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ALPH R. FRANK
ROBERT H. KOENIG
PAUL KALLMAN

LAW OFFICES
FRANK, KOENIG & KALLMAN
SUITE 825 UNION BANK BUILDING
9460 WILSHIRE BOULEVARD
BEVERLY HILLS, CALIFORNIA 90212

E237

CRESTVIEW 4-6601
BRADSHAW 2-8231

November 30, 1969

Laventhol, Krekstein, Horwath & Horwath
3700 Wilshire Boulevard
Los Angeles, California

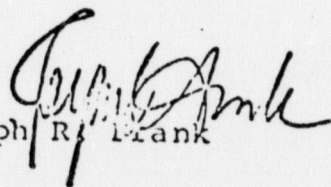
Re: The Firestone Group, Ltd.

Gentlemen:

Pursuant to your request for information in connection with your audit of the above firm and in our position as attorneys having rendered substantial services to subject client throughout the past few years; you are hereby advised:

1. We have no knowledge of any pending litigation or lawsuits of any kind, type or description presently existing nor do we have any information relating to any future litigation wherein subject client is involved as a Defendant;
2. We have no knowledge of any outstanding Judgments presently existing against said client nor do we have any knowledge whatsoever of any pending litigation wherein a money judgment may be recovered against said client;
3. Although it is difficult to advise as to the exact amount of monies due us at the present time from subject client and subject to substantial adjustments for payment from various third parties, which payments would be a credit against subject obligation from this client, we attach hereto a copy of a statement dated November 30, 1969 relating to outstanding obligations of said client to us.

Very truly yours,


Ralph R. Frank

RRF/cc
Enclosure

Mar 12/2/69

The Firestone Group Ltd

notes

11/20/69

1) Need reserves for current transactions

How were following deposits made

M. Anella 11600. 11/18/69

R Vestal 12000. 10/24/69

Oak Hill 15000. 11/ / 69

Mountain Hotel 35200.
5000 ? W
10000

including 20% 1

O'Connell 2000 - 11/21

TFC, Ltd receives 2 yrs prepaid interest,
they defer 1st yrs int. to end which int. is
the amt. of prepayment penalty
to partnership

Obtain signed copies of 'agreements to purchase'

Firestone Equities to buy on certain deals

By Loro - no signed contract not yet
Int. rate lower on sale than purchase

Was Black Butte sold to Batu Balon Lang 11/21/69

Phillips Exhibit 39
 October 29, 1939
 EXHIBIT 39 - NOTES

E239

DATE	11/20/39
PREPARED BY	
APPROVED BY	

The Eastern Group, Ltd.
 Notes

11/20/39

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DEFENDANT'S EXHIBITS:

EXHIBIT A - DEPOSITION OF GERALD L. HERZFELD
UNITED STATES DISTRICT COURT ON APRIL 5, 1972
SOUTHERN DISTRICT OF NEW YORK

E240

-----x
GERALD L. HERZFELD,

Plaintiff,

-against-

LAVENTHOL, KREKSTEIN, HORWATH & HORWATH,
Defendant.

-----x
LAVENTHOL, KREKSTEIN, HORWATH & HORWATH,
Third-Party Plaintiff,

-against-

THE FIRESTONE GROUP, LTD., ALLEN & COMPANY,
INCORPORATED, ALLEN & COMPANY, CHARLES ALLEN,
LEE W. MEYERS, IRWIN H. KRAMER, RICHARD M.
FIRESTONE, MARTIN A. SCOTT and DAVID BAIRD,
Third-Party Defendants.

INDEX NO.
71 Civ. 2209
(ELP)

-----x
Deposition of the plaintiff, GERALD L.
HERZFELD, taken by the defendant pursuant to
notice, at One Chase Manhattan Plaza, New York,
New York, on April 5, 1972 at 2:20 p.m., before
David J. Feldman, C.S.R., a Notary Public of
the State of New York.

Certified Shorthand Reporters



APPEARANCES:

Messrs. BLUM, HAIMOFF, GERSEN, LIPSON & SZABAD,
Attorneys for plaintiff
270 Madison Avenue
New York, New York 10016

BY: LOUIS HAIMOFF, ESQ.,
Of Counsel

Messrs. WILLKIE, FARR & GALLAGHER
Attorneys for defendant and third-party plaintiff
One Chase Manhattan Plaza
New York, New York 10005

BY: JACK DAVID, ESQ.,
Of Counsel

E242

IT IS HEREBY STIPULATED AND AGREED
by and between the attorneys for the res-
pective parties herein, that filing and
sealing be and the same are hereby waived.

IT IS FURTHER STIPULATED AND AGREED
that all objections, except as to the form
of the question, shall be reserved to the
time of the trial.

IT IS FURTHER STIPULATED AND AGREED
that the within deposition may be signed
and sworn to before any officer authorized
to administer an oath, with the same force
and effect as if signed and sworn to before
the Court.

IT IS FURTHER STIPULATED AND AGREED
that a copy of the within deposition shall
be furnished to the attorneys for the plain-
tiff, without cost.

GERALD L. HERZFELD, the
plaintiff, having been first duly sworn by
the Notary Public, testified as follows:

EXAMINATION BY

MR. DAVID:

Q Would you please state your name?

A Gerald L. Herzfeld.

Q And what is your present residence address?

A 812 Park Avenue, New York.

Q How old are you, Mr. Herzfeld?

A Fifty-five.

Q Where you were educated, college education?

A University of Virginia for one year.

Q Did you complete your degree?

A No.

Q Did you have any subsequent education?

A No.

Q What is your present business address?

A 919 Third Avenue.

Q And what is your business?

A Manufacturing carpet.

Q What is the name of the company with which
you are associated?

A Stephen-Leedom Carpet Company, Inc.

MANHATTAN REPORTING CORP.

132 NASSAU STREET, NEW YORK 100038 - 267-2228

1
2 Q Is that located at 919 Third Avenue?

3 A Yes.

4 Q What position do you hold with that
5 company?

6 A Chairman of the board.

7 Q Does it manufacture any special type of
8 carpet?

9 A No. A wide variety of carpet.

10 Q Are the manufacturing facilities in New
11 York State?

12 A The manufacturing facilities are in
13 Pennsylvania.

14 Q Where does the company sell the carpet?

15 A On a national basis.

16 Q All through the United States?

17 A All through the United States and a modest
18 amount for export.

19 Q Are the carpets sold to wholesalers and
20 retailers?

21 A Yes.

22 Q How long have you been associated with this
23 company?

24 A About thirty-six years.

25 Q Are you the founder of the company?

1
2 A No.

3 Q During the thirty-six years, what positions
4 had you held with the company, starting with the
5 beginning?

6 A Porter, salesman, president and chairman
7 of the board.

8 Q For how long have you been chairman of the
9 board?

10 A Three years.

11 Q For how long before that were you president?

12 A About twenty years.

13 Q So you've been either president or chairman
14 of the board for twenty-three years?

15 A That is correct.

16 Q I take it that these thirty-six years
17 comprise the total length of your business experience?

18 A That is correct.

19 Q During these thirty-six years, have you
20 been associated with any other business organizations?

21 A Not in an active capacity, no.

22 Q Have you been employed by any other
23 business organizations?

24 A No. I've had investments, but no other activ
25 employment by others.

1
2 Q Have you been on the boards of directors
3 of other business organizations?

4 A No.

5 MR. DAVID: Off the record.

6 (Discussion off the record.)

7 Q So that your testimony is you've been
8 neither an officer nor a director of any other business
9 organization in the thirty-six years with which you had
10 been associated with Leedom?

11 A None that I can recall.

12 Q Have you invested in companies during
13 the thirty-six year period of time?

14 A Yes.

15 Q When did you begin to invest in other
16 companies?

17 MR. HAIMOFF: Excuse me. By investments,
18 do you mean like purchasing stock on the securities
19 market?

20 MR. DAVID: Yes.

21 MR. HAIMOFF: All right. Just as long
22 as the witness understands what you have in mind.

23 When did you start buying stock, for
24 example?

25 THE WITNESS: Maybe twenty-five years ago,
MANHATTAN REPORTING CORP.

1 I don't remember.

2
3 BY MR. DAVID:

4 Q Let me put it this way. When was the first
5 time that you had an ownership interest in any business
6 organization?

7 MR. HAIMOFF: I still don't think that
8 the witness will understand what you mean by
9 ownership interest. If you are distinguishing
10 between ownership and a stock interest. A stock
11 owner.

12 MR. DAVID: Let me put it this way, I
13 think that the witness can understand it, but
14 let me put it another way.

15 BY MR. DAVID:

16 Q When was the first time that you invested
17 money or other assets in a business organization in
18 return for an interest in that business organization
19 or in return for a note representing a debt that the
20 business organization owed to you?

21 A That as opposed to buying publicly issued
22 stock?

23 Q That is the same thing.

24 MR. HAIMOFF: He's including that.

25 MR. DAVID: It's all included.

1
2 A I would say approximately twenty-five
3 years ago.

4 Q By the way, do you own stock in the company
5 of which you are chairman of the board?

6 A Yes.

7 Q You say that twenty-five years ago was about
8 the first time that you purchased stock in a company?

9 A Yes, I would say that is about right.

10 Q What kind of stock was this? Was it
11 preferred stock?

12 A I don't recall, but I presume it was common
13 stock.

14 Q Do you recall through whom you purchased
15 the stock?

16 A No.

17 Q Do you recall the name of the stock?

18 A God, no.

19 Q About how many times over the past twenty-
20 five years would you say that you purchased stock in
21 companies?

22 A Many times. I don't think I can give you any
23 accurate number at this point.

24 Q Was it more than ten?
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A Yes.

Q Was it more than a hundred?

A I would say yes.

Q Was it more than a thousand?

A I don't know, possible.

Q Did you normally purchase stock in this period of time through brokers?

A Yes.

Q What was the name of the first broker that you used?

A I don't recall.

Q Can you recall the name of some of the brokers that you used over this period of time?

A Yes.

Q What were the names of some of these brokers?

A Sartorius & Company. It's a funny question. I used so many brokers. Let me say that in recent years, certainly the greatest amount of stock that I've bought has been bought through Sartorius, and offhand, I can't think of another firm to mention, although I'm sure there were others.

Q Could you describe the nature of the stock that you purchased over this period of time?

A Common stocks in publicly -- in public

1
2 companies.

3 Q Were the stocks that you purchased
4 twenty-five years ago, say, the same kinds of stock
5 that you purchased five years ago or that you purchased
6 today?

7 A In principle, yes.

8 Q Were these stocks, stocks that are commonly
9 known as blue chip stocks or were they --

10 A Generally, yes.

11 Q Did you purchase what would commonly be
12 referred to as speculative stocks?

13 A On occasion.

14 Q Were the stocks that you purchased generally
15 issued by companies in a particular industry?

16 A No.

17 Q Were they issued by companies in a broad
18 range of industries?

19 A Yes.

20 Q What industries were the companies in which
21 you purchased stocks in, for example?

22 A Steel, automobiles, television, electrical
23 appliances, cameras.

24 Q Could you name some of the stocks that
25 you purchased?

1
2 A United States Steel, General Motors,
3 Polaroid, Eastman Kodak. You want some more names?

4 Q Do you remember any others?

5 A Westinghouse.

6 Q Were the majority of the stocks that you
7 purchased of the same class of security as those that
8 you are mentioning now?

9 A Yes.

10 Q Do you recall the names of any brokerage
11 houses through whom you purchased stocks other than
12 Sartorius?

13 A I don't recall purchasing any stock from any
14 brokerage house other than Sartorius in the last two
15 or three years. Prior to that, I believe that we
16 have purchased stock from -- through Dupont, Coleman
17 & Company. Those are the only names I recall at the
18 moment.

19 Q In your response to the last question you
20 used the term "we purchased stock." Could you please
21 describe who you mean by "we"?

22 A Essentially all of my activities are done
23 in concert with my two brothers who are my partners.

24 Q Do you maintain a brokerage account now?

25 A Yes.

1
2 Q And I take it that this brokerage account
3 is with Sartorious?

4 A That is correct.

5 Q How many accounts do you have with
6 Sartorious?

7 A One.

8 Q Do you have accounts with any other
9 brokerage firms?

10 A We do I'm sure, but none that have been
11 active in the last two or three years, so offhand, I
12 cannot recall the names of those brokerage firms.

13 However, I could get that information for
14 you.

15 Q Could you supply that information when you
16 sign this deposition?

17 A Yes, I can.
18
19

20 Q In whose name is the brokerage account
21 at Sartorious which you are referring to?

22 A General Investors Company, which is a
23 partnership of my two brothers and myself.

24 Q I asked before whether you were associated
25 with or had invested in any business organization other

1
2 than Leedom, and this is one that you have invested
3 in. Are there any others at all?

4 A I believe I responded before by saying
5 I had invested in other businesses. Your question,
6 as I recall, related to investment, being stocks
7 and others, and I think I responded in the affirmative.

8 MR. HAIMOFF: You asked him whether he was
9 employed by any other business.

10 MR. DAVID: And I asked him whether he
11 was associated with any other business also.
12 But I meant to include partnerships.

13 MR. HAIMOFF: It's not really a different
14 business. They just use this as a means to
15 invest money.

16 MR. DAVID: I understand that.

17 THE WITNESS: General Investors is not a
18 business. It's a partnership. And we use the
19 name General Investors rather than having to
20 use three names of three brothers which would
21 otherwise be individual, each with a third
22 participation.

23 Q Is General Investors Company a partnership?

24 A Yes.

25 Q Who are the partners in General Investors?

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A My brother Nathan, my brother Saul, and myself.

Q Are the three of you equal partners in that partnership?

A Yes.

Q For how long has that partnership existed?

A Approximately twenty years.

Q Have the securities transactions to which you testified before taken place or been done in the name of that partnership?

A Yes.

Q Other than securities transactions entered into by the partnership, have you separately and independently entered into any securities transactions in the last twenty years?

A Yes. Yes. I believe to some modest amount.

Q Has your previous testimony about securities transactions all related to transactions of the partnership as distinct from yours?

A Essentially, yes.

Q When you say "essentially," you are qualifying it?

A As I said to you a moment ago, there were

1 times when I did buy some securities in my own
2 name.
3

4 Q When was the last time that you purchased
5 securities in your own name?

6 A A number of years ago, but within the last
7 twenty, which is, I believe, what you asked.

8 Q But it was more than five years ago,
9 probably?

10 A Probably.

11 Q Could you say that with certainty?

12 A No. But I can say very probable.

13 Q Do you recall any securities transactions
14 in which you entered in your own name in the last
15 five years?

16 A No.

17 MR. DAVID: Off the record.

18 (Discussion off the record.)

19 Q Could you tell me how the investment
20 decisions of General Investors Company were made
21 over the last several years?

22 A Either individually or in concert with my
23 two brothers. We would make decisions.

24 Q Were all three of the partners of General
25 Investors, including yourself, authorized to engage in

1 securities transactions in the partnership account?

2 A Yes.

3 Q And did you engage in such securities
4 transactions?

5 MR. HAIMOFF: As distinguished from the
6 partnership?

7 MR. DAVID: On behalf of the partnership.

8 A From time to time.

9 Q Did you do it frequently?

10 A At various times during the past twenty
11 years, yes.

12 Q Did you do it more than your partners,
13 for example?

14 A Not necessarily.

15 Q How many times a year in the last five
16 years would you say that you have engaged in a securities
17 transaction, either purchasing or selling securities?

18 A I would say a great number. I couldn't
19 give you an exact figure.

20 Q Were there times when you decided to purchase
21 securities in the last five years?

22 A Yes.

23 Q And when you decided to purchase securities,
24 how did you come to that decision?
25

1
2 A It's an awfully broad question.

3 MR. HAIMOFF: Answer the best way you can.

4 It would vary obviously. Are you asking
5 is there some general pattern that he follows
6 or whether in a particular case he makes --

7 MR. DAVID: Yes. I'm asking whether
8 there is a general pattern that you follow.

9 A No, there is no general pattern. I guess
10 like most other people, we buy securities when we
11 think the market is going to go up. And sell them
12 when we think the market is going to go down.

13 Q Did you --

14 A And hope that we are right.

15 Q When you purchased securities in a company,
16 did you make any investigation of the company's
17 affairs?

18 MR. HAIMOFF: You mean did he ever or did
19 he always?

20 MR. DAVID: Did you normally?

21 A No. No. The bulk of the securities that
22 I have purchased have been in blue chip companies.
23 Obviously there is no way, or in my opinion, no need
24 to make any investigation.

25 Q Did you follow the stock market in newspapers

1
2 and periodicals?

3 A Yes.

4 Q And where did you follow the stock market?

5 A Generally in the Times.

6 Q The New York Times?

7 A New York Times.

8 Q Did you sometimes purchase securities on
9 the advice of others?

10 MR. HAIMOFF: There again, you mean
11 solely on the advice of others or including?

12 MR. DAVID: Right. Not solely.

13 MR. HAIMOFF: Including that as a factor.

14 A I would say yes to that question.

15 Q And from whom did you receive investment
16 advice?

17 A Well, I have a great many friends. The
18 stock market is a subject that is normally discussed,
19 and I think that through the years I probably have
20 received advice from hundreds of people.

21 I haven't followed all of that advice, but
22 I have received advice and have discussed the stock
23 market generally with most people that I know.

24 Depending on what the person might say
25 to me and my regard for that person, I might or might

1
2 not be influenced by what they had to say.

3 Q You testified before that you at some
4 point in the last several years purchased Westinghouse
5 stock.

6 A Yes.

7 Q How did you decide to purchase the stock
8 of Westinghouse?

9 A I don't recall. I think it was many years
10 ago that I purchased Westinghouse stock. But I would
11 think that, to answer your question, well known companies
12 like Westinghouse and General Electric and General
13 Motors are the sort of stocks a man buys without any
14 recommendation, if he in fact feels that the market
15 is going to go up.

16 Q Were there any instances over the past
17 five years in which you investigated a company in
18 which you were considering buying stock?

19 A No.

20 Q Did you review the last annual report of
21 any company which you planned to invest in over the
22 past five years?

23 A The only annual report that I recall looking
24 at was the one issued by Firestone, where we made an
25 investment in that company a couple of years ago.

1
2 Q Have you brought a copy of that annual report
3 with you today?

4 A I don't --

5 MR. HAIMOFF: Which one?

6 MR. DAVID: The annual report of Firestone
7 to which Mr. Herzfeld just made reference.

8 MR. HAIMOFF: Yes, sure.

9 Q When I was asking you questions before,
10 when I referred to the annual report, I was talking
11 of the annual report of the company.

12 Did you look at the annual report of the
13 company, the annual report to stockholders of any of
14 the companies in which you invested in the last five
15 years?

16 A I don't believe that I have ever purchased
17 stock based upon examining an annual report other than
18 in the sole instance of Firestone.

19 Q Is the document which you just showed to
20 me the document to which you've been referring as the
21 annual report of Firestone?

22 A Yes.

23 MR. DAVID: Could I have this marked for
24 identification, please, as Defendant and Third-
25 Party Plaintiff's Exhibit 1. Mark for Defendant

1
2 and Third-Party Plaintiff's Exhibit 1 for
3 identification on this deposition a document
4 designated on the cover page as The Firestone
5 Group, Ltd. and Subsidiaries from date of
6 inception on December 26, 1968 to November 30,
7 1969, and containing a report of Laventhol,
8 Krekstein, Horwath & Horwath, on attached
9 financial statement of The Firestone Group, Ltd.
10 and Subsidiaries.

11 (Document above referred to marked
12 Defendant and Third-Party Plaintiff's Exhibit
13 1 for identification, as of this date.)

14 BY MR. DAVID:

15 Q Could you tell us, Mr. Herzfeld, when you
16 received this document that we have just marked as
17 an exhibit?

18 A I believe it was in early December 1969.

19 Q Do you remember the date on which you
20 received it?

21 A No, sir.

22 Q Do you have any documents that would tell
23 you on what date you received it?

24 MR. HAIMOFF: Does he have or do I have?
25 I have. If you give me a moment, I will find it.

1

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Let the record show that counsel produces --

3

4

A The letter is dated the 16th. I assume I received it the 17th.

5

6

Q Could you please produce the letter that you are looking at?

7

8

9

A Yes.

Q Is the document which you've just produced the original of a letter which --

10

11

12

MR. HAIMOFF: It's a Xerox obviously.

13

14

15

Q Do you have the original letter dated December 16, 1969, which you received, Mr. Herzfeld?

MR. HAIMOFF: I may have that.

A I don't know whether counsel has it or whether it's in the files.

16

17

18

19

MR. HAIMOFF: I'm sorry, Mr. David. We don't have the original here, but I do believe that I have the original in my office, and I'll be glad to produce it for you.

20

21

22

MR. DAVID: Off the record.

(Discussion off the record.)

BY MR. DAVID:

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Q You testified that you received a letter dated December 16, 1969 together with Exhibit 1.

A Yes.

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Q Did you receive that in the mail?

A I don't know.

Q How did you receive it?

A I don't recall. I don't know.

MR. HAIMOFF: I would assume so, but I don't know.

MR. DAVID: Mr. Haimoff, I'd really like the witness' testimony.

THE WITNESS: I don't know. I don't know whether it was hand delivered or came through the mail. I might be able to refresh my memory based on some documents or memorandum I have in the office, but at this moment, I don't recall.

BY MR. DAVID:

Q Do you recall receiving it?

A Yes. I don't know whether it was hand delivered or whether it arrived in the mail.

Q How do you know that you received it?

A Because I remember receiving it and I remember looking at it.

Q You remember looking at it after you --

A After I received it.

Q It came to your office?

A That is right.

1

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Q Did you receive that in the mail?

3

A I don't know.

4

Q How did you receive it?

5

A I don't recall. I don't know.

6

MR. HAIMOFF: I would assume so, but I don't know.

7

8

MR. DAVID: Mr. Haimoff, I'd really like the witness' testimony.

9

10

THE WITNESS: I don't know. I don't know whether it was hand delivered or came through the mail. I might be able to refresh my memory based on some documents or memorandum I have in the office, but at this moment, I don't recall.

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BY MR. DAVID:

16

Q Do you recall receiving it?

17

A Yes. I don't know whether it was hand delivered or whether it arrived in the mail.

18

19

Q How do you know that you received it?

20

A Because I remember receiving it and I remember looking at it.

21

22

Q You remember looking at it after you --

23

A After I received it.

24

Q It came to your office?

25

A That is right.

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Q When did you look at it?

3

A The day that I received it, which I believe was December 17, 1969.

5

Q Do you recall where you were at the time?

6

A Yes. I was in my office.

7

Q What did you look at in the document?

8

Did you read it word for word or --

9

A No. I remember having seen the financial statement attached to the purchase agreement from Firestone, and I remember seeing a substantial profit in the area of a million eight or a million nine for the eleven month period. And I remember looking at Laventhol's statement, and it confirmed the impression I had from the Firestone statement.

16

Q You referred to a Firestone statement and purchase agreement. Have you brought copies of those documents with you here today?

19

MR. HAIMOFF: Yes, we have.

20

A Yes, we have.

21

MR. DAVID: May we see them, please?

22

MR. HAIMOFF: Sure.

23

THE WITNESS: Yes, you may.

24

MR. DAVID: May we have this document

25

designated on the first page as The Firestone

1
2 Group, Ltd., note and stock purchase agreement,
3 dated November 10, 1969, marked Defendant and
4 Third-Party Plaintiff's Exhibit 2 for identi-
5 fication.

6 (Document above referred to marked
7 Defendant and Third-Party Plaintiff's Exhibit
8 2 for identification, as of this date.)

9 BY MR. DAVID:

10 Q We have a document just marked as Exhibit
11 2 for identification, Mr. Herzfeld, and I show it to
12 you and ask you when you received that document.

13 A I believe the latter part of November 1969.

14 Q Do you have any recollection of the
15 specific date on which you received it?

16 A No, but maybe if I refer to some papers
17 here, I can give you the specific date.

18 I believe the specific date is November
19 21, 1969.

20 Q I see that you are referring to another
21 document. Can we mark that as an exhibit for
22 identification also?

23 A Yes, sir.

24 MR. DAVID: Mark as Defendant and Third-
25 Party Plaintiff's Exhibit 3 for identification an

1
2 unsigned Xerox copy of a purported letter
3 dated November 21, 1969 from Richard Firestone
4 to Gerald Herzfeld, consisting of two pages.

5 (Document above referred to marked
6 Defendant and Third-Party Plaintiff's Exhibit
7 3 for identification, as of this date.)

8 BY MR. DAVID:

9 Q Mr. Herzfeld, is Exhibit 3 for identifica-
10 tion a copy of an original letter which you received?

11 A I believe so, because I believe the
12 original letter that I received was a signed letter.

13 MR. DAVID: Mr. Haimoff, would you agree
14 to provide the original letter?

15 MR. HAIMOFF: Yes. If he had it and turned
16 it over to me, I have it.

17 Q When you received the original of which
18 Exhibit 3 is a copy, did you also receive with that
19 copies of a note and stock purchase agreement in the
20 form that is Exhibit 2?

21 A Yes.

22 Q How many copies of the note and stock pur-
23 chase agreement did you receive? Try not to refer to
24 the letter, if you would, Mr. Herzfeld, because I want
25 to know what you recall without looking at it.

1 A Sorry. I don't recall.

2 Q Do you recall when you received the
3 November 21, 1969 letter, and the note and stock
4 purchase agreements?
5

6 A It was about November 21st or November
7 22nd.

8 Q Do you recall whether you received it
9 in the mail or whether it was delivered to you?

10 A No. I don't recall.

11 Q Do you recall where you were when you
12 received it?

13 A I was in my office when I saw it.

14 Q Where was your office at that time?

15 A At that time it was at 295 Fifth Avenue.

16 Q But you don't recall whether it was sent
17 to you by mail or whether it was delivered to you by
18 hand?

19 A No, sir.

20 Q When you received the note and stock purchase
21 agreement with this letter dated November 21, 1969, what
22 did you do? Did you look at it?

23 A I looked at it.

24 Q What did it tell you?

25 MR. HAIMOFF: Do you want him to summarize

1
2 the whole four-page agreement?

3 MR. DAVID: Sure.

4 A I'll summarize it as best I can.

5 It told me that Firestone was a successful
6 real estate company that had in eleven months made
7 some one million seven or eight hundred thousand
8 dollars.

9 Q Did it tell you anything else about the
10 company?

11 A That is what I recall. In my opinion,
12 that was the important ingredient, that it was such a
13 profitable venture.

14 Q Did it tell you how the company, what
15 business the company was in?

16 A It was in the real estate business.

17 Q Did it tell you how it conducted its
18 business?

19 A By buying and selling real estate.

20 Q Did it tell you anything about the kind
21 of transactions in which it bought and sold real
22 estate?

23 MR. HAIMOFF: I don't understand that
24 question.

25 A I don't understand your question.

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Q Did it tell you how the transactions in which it purchased and sold real estate were structured?

A I don't recall details of how it was structured. I know that they were in the business of buying and selling real estate, and that they apparently had been very profitable during the period that it was reported on.

Q Did it tell you anything about the manner in which it went about buying real estate?

MR. HAIMOFF: Do you mean did he know that or --

Q Do you recall whether this document, the note and stock purchase agreement marked Exhibit 2, told you how the company went about buying real estate?

A I don't recall that, no.

Q Did it tell you how it went about selling real estate?

A No. I don't recall details of how it bought or how it sold. I assumed it operated like all real estate companies, just bought and sold real estate, and in this instance, sold it profitably.

Q Did you have any previous familiarity with

2 the real estate business?

3 A No.

4 Q But prior to the time you received this
5 note and stock purchase agreement, you didn't have
6 any familiarity with the way the real estate business
7 operated?

8 A No, I didn't.

9 Q Was it of concern or interest to you
10 as to how The Firestone Group, Ltd. bought and sold
11 real estate?

12 A No, because I'm not expert on it and it
13 would be meaningless to me. The only fact that was
14 important to me is they bought and sold real estate
15 profitably. That was my only concern, the fact that
16 it was very profitable.

17 Q And how did you know The Firestone Group,
18 Ltd.'s operations were profitable?

19 A Based on the statement that I looked at.

20 Q And you are referring to the statement
21 contained as Exhibit B to the note and stock purchase
22 agreement?

23 A That is correct.

24 Q Did you read the note and stock purchase
25 agreement, Mr. Herzfeld?

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Herzfeld

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2 A I looked at the agreement and I looked
3 at the earnings statement and that is what interested
4 me.

5 Q You say that you looked at the financial
6 statements contained in Exhibit 2 for identification,
7 that is the financial statements in the note and
8 stock purchase agreement?

9 A I believe I said I looked at the income
10 statement.

11 Q You didn't look at the balance sheet?

12 A I don't recall looking at the balance
13 sheet.

14 Q But you did look at the income statement?

15 A I looked at the income statement to see
16 if the company was profitable.

17 Q And the income statement indicated to you
18 that the company was profitable?

19 A Extremely profitable. The balance sheet
20 didn't interest me because it was the profits of
21 the company that interested me, and I assumed that
22 with the additional money they were going to raise
23 they'd even be more profitable, far more profitable.

24 Q Why did you assume that?

25 A Because I assumed that if a company makes

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1
2 a lot of money with a certain amount of dollars
3 that with an additional seven or eight million dollars,
4 they'd make a lot more money.

5 Q What did you do with the note and stock
6 purchase agreement after you received it?

7 A I believe I signed it and sent it back with
8 my check to the attorneys.

9 Q When did you sign it?

10 MR. HAIMOFF: Shall I produce a document
11 which will refresh his recollection as to the
12 date?

13 MR. DAVID: Why don't we do that?

14 A Without looking at the document, I recall no
15 I had this Firestone statement, and then, I guess,
16 a couple of weeks later, I received the Laventhol
17 statement. I looked at that and that confirmed the
18 impression I had from the Firestone statement.

19 I think at that time I signed the agreements
20 and returned them. The dates aren't exact.

21 Q I think that you are mistaken.

22 A I don't remember the dates.

23 Q At any rate, there did come a time when
24 you signed the note and stock purchase agreement.
25 Before you look at that, you signed the note and

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2 stock purchase agreement and returned it to whom?

3 A I think the Holtzmann, Shepard firm.
4 I'm not positive.

5 Q That is a law firm?

6 A The law firm, that is right.

7 Q And did you sign just one agreement or
8 did you sign several?

9 MR. HAIMOFF: You mean several copies
10 of the same agreement or different agreement?

11 MR. DAVID: Several copies of the same
12 agreement or different agreements. Strike that.

13 Q How many note and stock purchase agree-
14 ments did you sign?

15 A I purchased two units. Now, I don't know
16 how many copies of the agreements I signed.

17 Q That is, you purchased two units, each
18 unit consisting of a note in the amount of \$250,000
19 and 5,000 shares of common stock of The Firestone
20 Group, Ltd.?

21 A Yes.

22 Q Then did you purchase these units by
23 signing one or more copies of the note and stock pur-
24 chase agreement?

25 A I signed one or more. I don't remember.

1
2 Q But all of the notes and shares of common
3 stock that you purchased from The Firestone Group,
4 Ltd. were purchased through note and stock purchase
5 agreements similar to the one we have marked as
6 Exhibit 2, identical to the one we marked as Exhibit
7 2?

8 A I believe so, yes.

9 Q How did you deliver the signed note
10 and stock purchase agreements to the Holtzmann firm?

11 A I don't recall whether it was through the
12 mail or the messenger.

13 MR. HAIMOFF: I assume it's his recol-
14 lection you want rather than the fact? I can supply
15 the fact. You want his recollection?

16 MR. DAVID: Yes. For the moment.

17 MR. HAIMOFF: All right.

18 BY MR. DAVID:

19 Q Did you send a check in payment of the
20 stock at the time? Try not to refer to the document,
21 if you would, please.

22 A I can't see that far.

23 My recollection is yes, I sent a check or
24 two checks.

25 Q Do you have copies of the cancelled

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2 checks here with you?

3 MR. HAIMOFF: No.

4 A No.

5 MR. HAIMOFF: But we will be glad to
6 produce them.

7 MR. DAVID: Fine. I'll accept that.

8 Q Do you recall whether the checks were
9 drawn on your own account?

10 A They had to be drawn on one of my own
11 accounts. I don't recall which one.

12 Q Was it --

13 A It might have been a personal checking
14 account as agent or it might have been a partnership
15 check. I don't recall. But I'll furnish you with
16 the cancelled checks.

17 Q When you purchased these units from The
18 Firestone Group, Ltd., were you purchasing them on
19 behalf of yourself or where you purchasing them on
20 behalf of General Investors Company?

21 A I purchased them on behalf of General
22 Investors.

23 Q Did your partners in General Investors
24 Company pay for part of the purchase price?

25 A I don't recall whether I used a personal

1
2 check or whether I used a General Investors check
3 or whether I personally drew the money from General
4 Investors and put it in my own account to pay for
5 it. But regardless of which form I used, it -- I
6 was acting as agent for General Investors.

7 Q And these securities were being purchased
8 for General Investors?

9 A That is correct.

10 Q And if there was to be a profit on the owner-
11 ship of the securities, and they were finally sold, or
12 if there were going to be a loss on the securities
13 when they were finally sold, that profit or loss
14 would be the profit or loss of General Investors
15 Company?

16 A At that time, yes.

17 Q When you say "at that time, yes," I don't
18 understand what at that time refers to.

19 A At that time we expected there would be
20 a profit, not a loss.

21 Q Yes.

22 A Perhaps I should have said it that way.

23 Q But whether there would be a profit or a
24 loss, it was for General Investors Company?

25 A That is correct.

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MR. DAVID: You have a document that you brought with you today.

MR. HAIMOFF: What document are you referring to?

MR. DAVID: Having to do with the transmission of the --

MR. HAIMOFF: Of the note and stock purchase agreement?

MR. DAVID: Yes.

MR. HAIMOFF: Yes, I have it.

MR. DAVID: May I look at that, please?

MR. HAIMOFF: Yes. It's a copy, I believe. Or he would only have a copy.

THE WITNESS: I would think they have the original.

MR. DAVID: I have produced here a copy of a letter dated November 24, 1969 from Gerald Herzfeld to James W. Deer, which I'd like marked as Defendant and Third-Party Plaintiff's Exhibit 4 for identification.

(Document above referred to marked Defendant and Third-Party Plaintiff's Exhibit 4 for identification, as of this date.)

1
2 BY MR. DAVID:

3 Q From this letter, Mr. Herzfeld, it appears
4 that you sent three executed copies of the note and
5 stock purchase agreement to James W. Deer on the 24th
6 of November 1969; is that correct?

7 A That is correct.

8 Q Did you enclose a check with this letter?

9 A No. I believe that the check was due on
10 December 16th.

11 Q That doesn't answer my question. My
12 question was whether you enclosed your check or a check
13 with the November --

14 A More specifically, I don't recall. But it
15 would appear to me from the letter that I sent a stock
16 certificate back and sent a check later, but I don't
17 remember. The date of the check, however, will, I
18 presume, show the date on which it was drawn.

19 MR. DAVID: I would appreciate your
20 supplying the information when you return the
21 deposition on signing it as to the date of your
22 check and the date on which it was -- the
23 date of the check, the name of the account from
24 which it was drawn and the date on which it was
25 cashed.

1
2 THE WITNESS: I've already said that
3 I would give you a photostatic copy of the
4 cancelled check, which I presume will contain
5 all that information.

6 MR. DAVID: Am I do take it that the
7 documents that have been requested that you agreed
8 to furnish will be supplied shortly?

9 MR. HAIMOFF: No question about that.

10 I have some documents here that I believe
11 will refresh your recollection as to exactly
12 what occurred, if Mr. David is interested.

13 MR. DAVID: Yes, I'm always interested
14 in information. That is what this is all
15 about.

16 MR. HAIMOFF: I have a copy of a telegram.
17 There is another aspect of this transaction that
18 you haven't gone into, that one of the units he
19 purchased was issued to David Baird. You are
20 familiar with that.

21 MR. DAVID: You see, I asked before about
22 the units that you purchased, and I was told --
23 you told me, Mr. Herzfeld, that you purchased
24 two units.

25 THE WITNESS: That is correct.

1
2 MR. DAVID: I don't quite understand
3 what Mr. Haimoff is telling me now.

4 THE WITNESS: About Mr. Baird?

5 MR. HAIMOFF: He regards that it is units,
6 so if you want, you can ask him about that.

7 THE WITNESS: Do you want to take this
8 off the record a minute?

9 MR. DAVID: No, let's put it on the
10 record.

11 BY MR. DAVID:

12 Q Who is David Baird?

13 A David Baird is a broker in New York and a
14 friend of mine. David Baird phoned me one day --

15 Q Do you recall when?

16 A A couple of weeks, I believe, prior to our
17 purchase. And told me that he had spoken with
18 Charlie Allen of Allen & Company, and Charlie Allen
19 said, "I have the best deal I've ever had in my life,"
20 and said, "David, you're an old friend of mine. I want
21 to have you avail yourself of one of these units."

22 The unit cost \$255,000. David Baird came
23 up to see me and said, "I'm short of funds at the
24 moment, not liquid, and I can't afford to buy it.
25 I'd like to enter into an agreement with you whereby

you buy it and we split the profit."

Q David Baird came to your office and what did he say?

A I think I've already told you. David Baird said he had a conversation with Charlie Allen who told him he had the hottest deal of his whole life, and he wanted David to share in this good fortune.

David told me that he was short of funds at the moment, and he offered me a proposition whereby I would put up the \$255,000; we share the profit; and David was so confident he said if there were any losses, he would take care of the losses.

And I offered David a counter proposition. I didn't want him to be in that position, so instead, I said that I'd put up the money, all of the money, and have David share in the profit to the extent of 25 per cent, but without any liability for loss.

We agreed on that. And that was the transaction between David Baird and myself.

Q And this conversation with David Baird took place in your office?

A In my office.

Q Which was on Fifth Avenue at the time?

A At 295 Fifth Avenue. My best recollection

1
2 is it was about ten days or two weeks prior to
3 the -- my receipt of the Firestone statement and
4 letter.

5 Q Ten days or so prior to November 21st or 22nd

6 A Something like that. Give or take a few
7 days.

8 Q Was David Baird associated with a firm at
9 the time?

10 A His firm at the time was either David G.
11 Baird or Baird Patrick, I don't recall. He changed
12 at some point along the road.

13 Q What was his business?

14 A A stock brokerage firm. And David Baird
15 is a well-known business broker.

16 Q Was he a member of any stock exchange?

17 A I believe they are members of the New
18 York -- they are or were members of the New York Stock
19 Exchange.

20 Q Did David Baird call you on the telephone
21 before he came to your office?

22 A Yes.

23 Q And what did he say on the telephone?

24 A He called me on the telephone and he said,
25 "I have a very interesting proposition. Do you have

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2 The Firestone Group, Ltd. with Irwin Kramer?

3 A One evening we were having dinner,
4 Irwin Kramer and his wife and my wife and myself,
5 and during the course of dinner, Irwin Kramer mentioned
6 The Firestone Group. I had already known something
7 about it inasmuch as David Baird had mentioned it to
8 me.

9 Irwin Kramer apparently was unaware of
10 the fact that David Baird had spoken with me. And
11 he told me about this deal that he said Charlie, who
12 was his father-in-law, told him was, again, the best
13 deal or the hottest deal he'd ever seen. And asked
14 me if I was interested in participating for one
15 unit.

16 Q What did you say to him?

17 A I said yes.

18 Q Did you tell him of your conversation
19 with David Baird?

20 A No, I did not.

21 Q When did this dinner with Irwin Kramer
22 take place?

23 A Just a few days before that November 21st
24 date, as I recall.

25 Q So by the time November 21st came around,

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you had had a conversation with David Baird about
The Firestone Group, Ltd., and another conversation
with Irwin Kramer about The Firestone Group, Ltd.?

A That is correct. They were conversations,
but they were limited conversations, because in both
instances, both David Baird -- David Baird said that
he didn't know anything about it, but that Charlie
Allen was so high on it, which gave him great confidence.

And I must say Irwin Kramer professed
ignorance about the Firestone deal, but said that
Charlie Allen had told him it was so hot.

Q Did Irwin Kramer say to you that The
Firestone, Ltd. securities were the best thing Allen
ever had?

A Words to that effect. He said that
Charlie Allen had said to him that the Firestone deal
was one of the best deals they had ever had.

Q Paragraph 20 of your original complaint
in this action, you say that Irwin Kramer said to
you that "Firestone Group, Ltd. securities were the
best thing Allen ever had."

A That is correct. He said that based on
what he quoted to me as Charlie Allen's opinion.

Q Going back to your conversation with David

1
2 Barid, you've already testified somewhat about it.

3 Did you ask David Baird or did he tell
4 you what the business of The Firestone Group, Ltd.
5 was?

6 A I asked David Baird what business they
7 were in. He said they were in the real estate
8 business. And he didn't know any more details than
9 that.

10 Q How long was this conversation with David
11 Baird?

12 A Well, specifically on the Firestone matter,
13 I would think fifteen or twenty minutes.

14 Q Fifteen or twenty minutes? What did he
15 tell you about The Firestone Group?

16 A He told me that they were in the real
17 estate business, and Charlie Allen had told him that
18 they were very successful. And there was one restric-
19 tion, and that was that in addition to a \$250,000 bond,
20 we were to receive 5,000 shares of stock at \$1 a share,
21 and it was the intention of Firestone to split the
22 stock two for one, and we were going to have to
23 sign an agreement to the effect that when they
24 registered the stock, we were obliged to sell 5,000
25 shares of the split stock which would have cost us

1 ~~450~~
2 \$50-a share for \$25 a share, and we were obliged
3 to sell it.

4 We couldn't keep this security. And I
5 believe that the purchase agreement contains that
6 restriction.

7 Unfortunately, it didn't come to fruition.

8 Q Did you know Charlie Allen?

9 A Yes.

10 Q Before this time?

11 A Yes, I had met Charlie Allen on several
12 occasions.

13 Q Did you ever talk to Charlie Allen about
14 The Firestone Group, Ltd.?

15 A No.

16 Q When David Baird told you that The
17 Firestone Group, Ltd. was in the real estate business,
18 in this conversation he had with you at your office, did
19 he tell you anything further about the way they operated?

20 A No. He just told me that they were in
21 the real estate business. He told me he didn't know
22 much about the company, but that they were in the
23 real estate business and they were very profitable,
24 and he was quoting to me what Charlie Allen had told
25 him.

2 Q Did you have confidence in David
3 Baird's judgment? Did you rely upon his investment
4 expertise?

5 A I have confidence in David Baird, but in
6 this instance, I had no occasion to rely on his exper-
7 tise. First of all, he professed ignorance about the
8 entire situation except that which Charlie Allen told
9 him. So he was scarcely in a position to use his
10 expertise in determining whether this was or was not
11 a good investment.

12 I did rely on my own limited expertise when
13 I looked at the earnings statement.

14 Q You say that you didn't rely on David
15 Baird's judgment in this Firestone matter, but yet
16 say that you offered to put up \$500,000 so that he
17 might purchase securities with you taking the lion's
18 share, all of the risk and giving him an opportunity
19 to share in the profits?

20 A That related to \$255,000, my conversation
21 with David Baird. He was a partner for 25 per cent
22 of the profits of a \$255,000 investment.

23 David Baird, as I mentioned before, thought
24 this was so great because Charlie Allen told him that
25 this was such a great investment. David Baird

1 personally told me that he had never heard of
2 the company before, but Charlie Allen had told him
3 that they were in the real estate business and
4 very profitable and with a very rosy future.
5

6 Now, the investment that I was making
7 was largely \$250,000 out of \$255,000 was a note,
8 and only \$5,000 was in common stock. And a company
9 that had made so much money in the previous eleven
10 months would have appeared to be a very safe invest-
11 ment on a note basis for \$250,000.

12 Q Did you ask any questions of David Baird
13 or of Irwin Kramer about the capitalization of
14 The Firestone Group, Ltd.?

15 A No. David Baird told me that he didn't
16 know anything about the company. And Irwin Kramer
17 told me that he didn't know anything about Firestone,
18 other than the fact that Charlie Allen had told him
19 this is one of the best deals we have ever had in
20 the office.

21 Q Did David Baird tell you Charlie Allen's
22 connection with The Firestone Group, Ltd.?

23 A No, he did not.

24 Q Did you ask him how Charlie Allen came to
25 be involved with The Firestone Group, Ltd.?

1
2 A I knew Charlie Allen to be a very
3 important, successful investment banker on Wall
4 Street, so it didn't seem strange to me that he would
5 be involved in a very successful real estate company.

6 Q Did you know the nature of his involve-
7 ment in the company?

8 A No.

9 Q Did you know whether Charlie Allen or
10 Allen & Company or Allen, Inc. owned any stock in
11 The Firestone Group?

12 A At that time I didn't. At a subsequent
13 date I learned that.

14 Q What date did you learn that at?

15 A After the company had gotten into serious
16 financial difficulty, I asked Mr. Haimoff to look into
17 the matter. Mr. Haimoff made an exhaustive investi-
18 gation of Firestone and its activities, and uncovered
19 a great many facts that I didn't know beforehand.

20 Q When was this about?

21 A When they went busted. I guess about
22 the summer, just before the summer.

23 MR. HAIMOFF: In 1971, I believe.

24 THE WITNESS: Just before the summer of
25 '71, I believe.

2 MR. HAIMOFF: Right.

3 THE WITNESS: I was alerted to this by a
4 telegram that I received from Firestone, as I
5 recall, which indicated there was a disagreement
6 between Firestone and Allen, and that the
7 company was in serious financial difficulty.

8 MR. HAIMOFF: I don't think I have it
9 with me, but we can produce it if Mr. David
10 is interested.

11 MR. DAVID: I would be interested in
12 seeing that also.

13 MR. HAIMOFF: Okay.

14 BY MR. DAVID:

15 Q You said prior to November 21, 1969 you
16 had a conversation with David Baird about Firestone;
17 you had a conversation with Irwin Kramer about
18 Firestone.

19 Did you have a conversation with anyone
20 else about The Firestone Group, Ltd. before November
21 21, 1969?

22 A Not with anyone that I recall. I had
23 never heard of The Firestone Group, Ltd. until the
24 day that David Baird called me.

25 Q Prior to November 21st or November 22nd,

1
2 '69, did you ever see any written materials about
3 The Firestone Group, Ltd.?

4 A I never heard the name Firestone prior
5 to the time that David Baird called me.

6 Q I said prior to November 22, '69. I
7 think your testimony is that David Baird called you
8 and talked to you some time around the 10th of
9 November '69.

10 A That is right. David Baird talked to
11 me about the 11th of November or thereabouts, give or
12 take a few days. And the next thing that happened
13 with Firestone was that I received the --

14 Q Except Irwin Kramer?

15 A The next thing was a conversation with
16 Irwin Kramer which I've reported to you. And then the
17 next thing that happened was I received the stock
18 purchase and note purchase agreement.

19 Q Did you attempt to get any written
20 materials about The Firestone Group before you received
21 the note and stock purchase agreement?

22 A No. I didn't know that there was any
23 written material available. I knew nothing about
24 the company.

25 Q Did you make any inquiry of any of the

1 parties to the action?

2 A I made no inquiry whatever, and had no
3 conversation whatever regarding Firestone other than
4 the two that I've just reported to you, one with
5 David Baird, one with Irwin Kramer. And then the
6 very next time that Firestone came up in my life
7 was the day that I received the purchase agreement.
8

9 Q The note and stock purchase agreement
10 which you received on or around the 21st of November
11 '69, the letter of that date, were documents that
12 you received in your office; correct?

13 A Correct.

14 Q And who did you receive them from?

15 A I believe they were sent to me by the
16 law firm of Holtzmann, Wise & Shepard.

17 Q Were they sent to you, do you know, in
18 connection with your conversation with Irwin Kramer
19 about purchasing a unit or were they sent to
20 you in connection with your conversation with David
21 Baird about participating in the purchase of a unit
22 with him?

23 A I believe the answer to that is both. I
24 think I received one unit directly from the Holtzmann
25 firm, and I believe the other unit was sent to me by

David Baird, who previously had received it from the Holtzmann firm. Because one unit was in David Baird's name; the other unit was in my name. Although we had an agreement, David Baird and I had an agreement that the one that was in his name in fact belonged to me.

Q This is the agreement that you reached around November 10th with David Baird?

A 10th or 15th, that is right.

Q Was that an agreement reduced to writing?

A Yes.

Q Do you have a copy of that writing with you?

A I do not have it with me, but --

MR. HAIMOFF: I'll make a search for it. I'm not clear that I have it, but if we have it, we'll produce it.

Q Who prepared this writing that you and David Baird entered into?

A I believe Mr. Haimoff.

Q Was it in the form of a partnership agreement?

MR. HAIMOFF: Oh, no. It would be a letter agreement.

1
2 MR. DAVID: Just a letter agreement?

3 MR. HAIMOFF: Yes.

4 Q You say that pursuant to that letter
5 agreement, David Baird signed a note and stock pur-
6 chase agreement?

7 A A unit that was in David Baird's name,
8 I presume you mean that?

9 Q Yes.

10 A I presume David Baird signed that and in
11 turn by agreement and/or endorsement of the stock
12 and notes gave it to me. That is my best recollection.
13 In any event, in practical language, that is what
14 happened, regardless of whether it was precisely
15 in that form or not.

16 I believe that the note and the 5,000
17 shares of stock were issued by Firestone in David
18 Baird's name. David Baird in turn gave it to me either
19 by endorsement or by letter. But actually physically
20 gave me the securities, and endorsed them either on
21 the securities or in letter form.

22 Q Will you provide the endorsed certificate
23 or the letter form or --

24 MR. HAIMOFF: Oh, yes. I'm not always
25 clear, Mr. David, whether you want the fact in

1
2
3 connection with these matters or the
4 recollection.

5 MR. DAVID: I want the fact and the
6 recollection.

7 THE WITNESS: They are not always the
8 same.

9 MR. DAVID: Of course.

10 MR. HAIMOFF: As far as the fact is
11 concerned, we will provide the documents which
12 will establish --

13 THE WITNESS: I don't believe we have
14 them. I believe we turned them in to Firestone.

15 MR. HAIMOFF: That is true.

16 THE WITNESS: Firestone has them now.

17 MR. DAVID: Will you provide whatever
18 documents you have?

19 MR. HAIMOFF: I will, yes. I know that the
20 certificates were issued in David Baird's name
21 because I have a list of all the security
22 holders and he's listed, so I know that.

23 MR. DAVID: Will you provide a copy of
24 the list of security holders, please?

25 MR. HAIMOFF: Oh, yes.

1
2 BY MR. DAVID:

3 Q Mr. Herzfeld, did you write a check
4 in payment of the unit which was purchased pursuant
5 to David Baird's signature on a note and stock purchase
6 agreement?

7 A Yes.

8 MR. DAVID: Will you also provide copies
9 of that check?

10 MR. HAIMOFF: Yes.

11 THE WITNESS: We will provide whatever the
12 transaction was. I am sure it was a check.
13 We will provide the check.

14 Q At the moment, do you recall on whose
15 account that check was drawn?

16 A Again, I don't know whether it was my
17 personal check or whether it was a General Investors
18 check operating, because we do as a partnership of
19 brothers, loosely. I might have drawn the funds
20 from General Investors and issued my personal check
21 or I might have used a General Investors check.

22 Q When you say drawn the funds from
23 General Investors and issued your personal check,
24 does that mean that you drew a check from General
25 Investors and then issued a personal check to --

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1
2 A No, I might have drawn a check from
3 General Investors for \$250,000, deposited in my
4 personal account and subsequently issued my personal
5 check for one or both of these transactions.

6 MR. HAIMOFF: In any event, we will
7 supply you with the documents.

8 THE WITNESS: Do you understand what
9 I'm saying?

10 Q I'm not quite certain why you would have
11 done that.

12 A I might not have had \$500,000 in my
13 personal account at that moment. It might have been
14 a bad week for me.

15 MR. HAIMOFF: The witness is obviously
16 testifying from his recollection. If you want
17 the fact, there are documents which would
18 establish the fact.

19 MR. DAVID: I'm trying to get as much
20 information as I can. I'm trying to understand
21 as best as I can what transpired.

22 THE WITNESS: Did you understand what
23 I said about drawing the money from General
24 Investors?

25 BY MR. DAVID:

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Q Yes. You said you might have drawn a check from General Investors and deposited it in your own account, and then issued your own check in payment of the unit?

A Right.

Q My question is if that was the case, why didn't you issue the check from General Investors directly to Firestone?

A I'll tell you why. Because I think that they wanted this to be -- they wanted -- Firestone wanted to issue the note and the stock in one name, in an individual name rather than a partnership name.

Q I see.

A I believe that was the reason. They didn't want to issue it to General Investors. They didn't specifically say to me that they don't want to issue it to General Investors, but I have a distinct recollection that they wanted it in an individual name.

Q Who told you that Firestone wanted individuals to purchase these securities?

A Not individuals to purchase -- in my instance, I don't recall whether this information came from the Holtzmann firm or whether it came from

1
2 Kramer or whether it came from Baird. It was not
3 important to me, so I didn't question it. It wasn't
4 important to me then. It's not important to me
5 now.

6 Q I'm trying to identify exactly what
7 information was supplied to you in connection with
8 the transaction.

9 A No meaningful information. No meaning-
10 ful information.

11 Q Did you have --

12 MR. HAIMOFF: Do you want the fact as
13 to that?

14 THE WITNESS: Yes, tell me.

15 MR. HAIMOFF: The fact is there are many
16 corporations that are listed as holders of
17 securities on this list that I have.

18 THE WITNESS: But what is the fact?

19 MR. HAIMOFF: As to what?

20 THE WITNESS: As to why I took it in my
21 name and not General Investors?

22 MR. HAIMOFF: I have no idea. The fact
23 is that you did take the securities in your own
24 name. But why you did it, I don't know.

25 THE WITNESS: Either he had or Kramer

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1
2 Kramer or whether it came from Baird. It was not
3 important to me, so I didn't question it. It wasn't
4 important to me then. It's not important to me
5 now.

6 Q I'm trying to identify exactly what
7 information was supplied to you in connection with
8 the transaction.

9 A No meaningful information. No meaning-
10 ful information.

11 Q Did you have --

12 MR. HAIMOFF: Do you want the fact as
13 to that?

14 THE WITNESS: Yes, tell me.

15 MR. HAIMOFF: The fact is there are many
16 corporations that are listed as holders of
17 securities on this list that I have.

18 THE WITNESS: But what is the fact?

19 MR. HAIMOFF: As to what?

20 THE WITNESS: As to why I took it in my
21 name and not General Investors?

22 MR. HAIMOFF: I have no idea. The fact
23 is that you did take the securities in your own
24 name. But why you did it, I don't know.

25 THE WITNESS: Either he had or Kramer

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1
2 or the Holtzmann firm asked me to take it
3 individually. I don't remember which one of
4 the three. I know one of them did and it
5 didn't make any difference, so I just did it.
6 I didn't question it.

7 BY MR. DAVID:

8 Q You --

9 A I might say this to you, Mr. David, that
10 we received interest checks for a certain period until
11 Firestone stopped paying interest, and whenever an
12 interest check was received by me, it was made out
13 in my name, but deposited to General Investors.

14 When David Baird received interest checks,
15 he in turn endorsed them over to me and again they
16 were deposited to the account of General Investors.

17 Q Did he endorse three-quarters of it
18 over to you or --

19 A No, 100 per cent. Because we were
20 entitled to 100 per cent of the interest. He was
21 entitled to 25 per cent of it again when we made
22 that marvelous sale of the stock at \$25.

23 MR. HAIMOFF: Don't let the record
24 show that you made the sale. You didn't
25 make any such sale. The record won't show

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1
2 your smile.

3 BY MR. DAVID:

4 Q Did David Baird tell you about this
5 provision for splitting the common stock of
6 Firestone when he first talked to you at your office
7 in early November?

8 A Yes, he did. And it filled me with
9 confidence.

10 Q Excuse me?

11 A It filled me with confidence.

12 Q What did he tell you about that?

13 A He said that the intention was to split
14 the common stock, and we were going to be required
15 to sell 50 per cent of it or 5,000 shares of the
16 split stock for \$25 a share. We had to sell it.

17 Q Did you ask him any questions about
18 splitting the stock?

19 A No.

20 Q Did you ask him when it was anticipated
21 that that would occur?

22 A Yes. And he said that -- my best recol-
23 lection is that he said that Charlie Allen said before
24 the year is out, before a year expires.

25 Q Before a year?

1 A Before one year expires. They intended
2 to register the stock.
3

4 Q And split it?

5 A And split it and then register it and
6 we would be required to sell 50 per cent of it at
7 \$25. We could do what we want with the other 5,000
8 shares.

9 Q Did he tell you that Charlie Allen said
10 this to him?

11 A Yes.

12 Q After the conversation with David Baird,
13 did you discuss this particular aspect of the
14 Firestone Company's plans with Irwin Kramer?

15 A No. Irwin Kramer told me that he didn't
16 know anything about the Firestone operation, as I told
17 you before, but that Charlie Allen told him it was
18 one of the best things they ever had in the office.
19 I did, however, discuss the Firestone situation with
20 Mr. Lee Meyers, who is a vice-president of Allen,
21 about six months after I had made the purchase.

22 MR. HAIMOFF: He hasn't asked you that.
23 Do you want that down?

24 THE WITNESS: Should I tell him all about
25 it?

1
2 A Before one year expires. They intended
3 to register the stock.

4 Q And split it?

5 A And split it and then register it and
6 we would be required to sell 50 per cent of it at
7 \$25. We could do what we want with the other 5,000
8 shares.

9 Q Did he tell you that Charlie Allen said
10 this to him?

11 A Yes.

12 Q After the conversation with David Baird,
13 did you discuss this particular aspect of the
14 Firestone Company's plans with Irwin Kramer?

15 A No. Irwin Kramer told me that he didn't
16 know anything about the Firestone operation, as I told
17 you before, but that Charlie Allen told him it was
18 one of the best things they ever had in the office.
19 I did, however, discuss the Firestone situation with
20 Mr. Lee Meyers, who is a vice-president of Allen,
21 about six months after I had made the purchase.

22 MR. HAIMOFF: He hasn't asked you that.

23 Do you want that down?

24 THE WITNESS: Should I tell him all about
25 it?

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MR. HAIMOFF: I don't know. He's conducting the examination.

THE WITNESS: I withdraw my comment.

BY MR. DAVID:

Q Tell me what you said.

A No, you got to ask me the question.

Q When did you first discuss the Firestone Company with Lee Meyers?

A About six months after we had made the purchase.

Q And where did that discussion take place?

A At Allen & Company.

Q Was that the first time you had ever been over at Allen & Company's offices?

A Yes.

Q And what brought you to Allen & Company's offices at that time?

A I went to Allen & Company on another matter. I took two friends of mine down there to discuss another matter unrelated to Firestone, with Irwin Kramer and Lee Meyers.

Q And was that the first time you met Lee Meyers?

A Yes.

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1
2 Q What did Lee Meyers tell you about The
3 Firestone Group at that time?

4 A I asked Lee Meyers the question -- I
5 asked him how Firestone was doing. And he said,
6 "Just great. In fact, if you'd like to sell your
7 stock now, I'll give you \$15 a share for it."

8 Q Was there anything more in that conver-
9 sation about The Firestone Group?

10 A No. That was the entire extent of the
11 discussion relating to Firestone.

12 Q Did you have any conversations with anybody
13 at Allen & Company, Allen, Inc. or with Charlie Allen
14 or Irwin Kramer or with Lee Meyers or with the
15 Firestone Company or any of the parties to this action
16 about The Firestone Group that you haven't told me
17 about yet?

18 A No.

19 Q Those are all the conversations?

20 A That is correct.

21 Q Telephone or face to face?

22 A Telephone or otherwise.

23 Q Except that presumably you had additional
24 conversations with David Baird?

25 MR. HAIMOFF: You mean from that date to

1
2 this?

3 A You don't mean from that date to this date,
4 do you?

5 Q Yes.

6 A Oh, my God, no. No, I didn't answer
7 you correctly. No, no.

8 MR. HAIMOFF: You mean before the company
9 went busted or after?

10 THE WITNESS: Let me say this, that I had
11 no other conversations regarding Firestone with
12 any of the people that you mentioned from the
13 time of the purchase of the stock until the
14 time that the company got into trouble. And
15 officially notified us that they were in trouble.
16 Outside of the conversations that I've testified
17 to.

18 Q Let's pin it down, all right?

19 A Yes.

20 Q Between November 1, 1969 and January 1,
21 1971, did you have any conversations about The Firestone
22 Group with any of the people you sued originally in
23 this action, or any people employed by them, other
24 than the ones which you testified to already?

25 A The date is what?

1
2 Q The last two months of '69 and the full
3 year of '70.

4 A I don't know when they got into trouble.
5 I had only one conversation with Lee Meyers that I
6 testified to, which was about six months after the
7 purchase. I had no other conversations regarding
8 Firestone with any of the people that you mentioned
9 until we received a telegram some months later indica-
10 ting that the company was in financial difficulty.

11 Q From whom did you receive the telegram?

12 A From Firestone. From the Firestone
13 Company. I think it was signed Richard Firestone.

14 MR. DAVID: Can we see a copy of that,
15 please?

16 MR. HAIMOFF: Yes. I don't have it with
17 me. I will produce it.

18 MR. DAVID: All right.

19 Q Now --

20 A I did, however, receive, I guess, monthly
21 bulletins from the Firestone Company painting a
22 very rosy picture each month, and how great things
23 were, in a narrative form.

24 Q Do you have those with you?

25 MR. HAIMOFF: We do.

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1
2 A We do.

3 MR. DAVID: I would like to --

4 MR. HAIMOFF: There is quite a number
5 of them, Mr. David. Do you want them produced
6 at this point, or do you want to wait until
7 the examination is over or --

8 MR. DAVID: I might want to talk about
9 some of them. What is the date of the first
10 one?

11 MR. HAIMOFF: As I say, there are quite
12 a number of reports and bulletins, other
13 documents, which Mr. Herzfeld turned over to
14 me which he had received from the Firestone
15 Company, which I have here.

16 Why don't we do it this way? Suppose I
17 show them to you. We have nothing that we
18 don't want to produce, and you can decide what
19 use, if any, you'd like to make of it.

20 I don't know that they relate particularly to
21 this current litigation, but I don't want to
22 get technical about it.

23 THE WITNESS: They really don't relate
24 to this litigation.

25 MR. DAVID: Do you have another copy of

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1
2 this report?

3 MR. HAIMOFF: Yes, I do have another
4 copy of it, the Laventhol report.

5 BY MR. DAVID:

6 Q Mr. Herzfeld, how did you obtain the
7 second copy of the report which has been marked
8 Exhibit 1 for identification?

9 A I don't know, but possibly from David
10 Baird.

11 MR. DAVID: Could we mark that report for
12 identification, also?

13 MR. HAIMOFF: Certainly.

14 MR. DAVID: Let me look at it first before
15 I mark it.

16 MR. HAIMOFF: With respect to these other
17 documents and reports that we have, if you want
18 me to produce them, it seems to me that it would
19 be desirable if I identify them for the record.

20 I don't want to encumber your examination.

21 MR. DAVID: I'd like to mark this report.

22 MR. HAIMOFF: We have no objection to
23 that.

24 MR. DAVID: I'd like to mark this one
25 for identification.

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(Document designated on the cover page as The Firestone Group, Ltd. and Subsidiaries from date of inception on December 26, 1968 to November 30, 1969, and containing a report of Laventhol Krekstein, Horwath & Horwath, on attached financial statement of The Firestone Group, Ltd. and Subsidiaries, marked Defendant and Third-Party Plaintiff's Exhibit 5 for identification, as of this date.)

MR. DAVID: I'd like to marked as Exhibit 6, Defendant and Third-Party Plaintiff's Exhibit 6 a document on gold paper designated The Firestone Group, Ltd. and Subsidiaries, consolidated financial statements, December 31, 1969 (unaudited).

(Document above referred to marked Defendant and Third-Party Plaintiff's Exhibit 6 for identification, as of this date.)

MR. DAVID: And I'd like to mark as Defendant and Third-Party Plaintiff's Exhibit 7 for identification a single-page document designated The Firestone Group, Ltd. and Subsidiaries, consolidated and deferred income for the nine months ended January 31, 1970, stating on top, "This statement has been

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1
2 separated to eliminate any possible confusion
3 with the one audited by the certified public
4 accountant which does not include deferred
5 income."

6 (Document above referred to marked
7 Defendant and Third-Party Plaintiff's Exhibit
8 7 for identification, as of this date.)

9 MR. DAVID: And I'd like to mark as
10 Defendant and Third-Party Plaintiff's Exhibit
11 8 document entitled "Annual Report to Share-
12 holders, 1970, Firestone Group, Ltd."

13 (Document above referred to marked
14 Defendant and Third-Party Plaintiff's Exhibit
15 8 for identification, as of this date.)

16 BY MR. DAVID:

17 Q We have received the note and stock purchase
18 agreement on or around the 21st or 22nd of November.
19 Did you look for anything in that note and stock pur-
20 chase agreement describing the stock split and
21 registration of securities which David Baird had
22 told you about?

23 A I don't know if I looked at it at that
24 time or I looked at it at a subsequent date, but I do
25 remember seeing it. Actually, what I looked for when

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2 I received the stock purchase agreement was confir-
3 mation of what David Baird had told me, that the
4 company was very profitable, because on the basis
5 of it being very profitable, this was the basis on
6 which I made my decision to make an investment.

7 I told David Baird that when I looked
8 at the figures and saw the profit that he referred to,
9 then I would make my final decision.

10 When I received the agreement, I looked
11 at the income statement. I saw the profit there
12 that he had referred to. That is when I made my
13 decision to make the purchase.

14 Other details didn't particularly interest
15 me.

16 Q So you looked at the note and stock purchase
17 agreement. You saw the financials. And you saw it
18 was a profitable company. And you decided it would
19 be a good investment?

20 A Correct.

21 Q As David Baird had said it would be?

22 A Yes.

23 Q As he had reported Charlie Allen had said
24 it would be?

25 A Correct.

1
2 Q And as Irwin Kramer reported Charlie
3 Allen had said it would be?

4 A That is correct.

5 Q And there came a time which you believe was
6 around the 17th or so of December 1969 when you
7 received Defendant's Exhibit 1 for identification?

8 A Yes.

9 Q Together with a letter which we have
10 marked Defendant's Exhibit -- you received a letter
11 dated December 16th, a copy of which, the original
12 copy of which you are supposed to supply at a later
13 time?

14 A Right, that is correct.

15 Q By that time, had you sent a check to
16 the lawyers to pay for the securities?

17 A I believe so.

18 Q Had you had any further conversations
19 with David Baird by that time?

20 A No, sir.

21 Q So that by the time that you received
22 the document which has been marked Defendant's
23 Exhibit 1, the accountant's report, you had had only
24 those conversations with David Baird to which you
25 testified, and had signed a note and stock purchase

1
2 agreement and sent it to James Deer, and had sent
3 checks in payment for two units of the Firestone
4 securities to James Deer?

5 A Well, I know I sent one -- I believe I
6 sent one check to James Deer. I'm not sure if I
7 sent the other check to James Deer or to David Baird.

8 Q But the checks were drawn to the order
9 of The Firestone Group?

10 A One check may have been drawn to the order
11 of David Baird inasmuch as he was taking that in his
12 name and transferring it to me. I'm not sure. Again,
13 the checks that we give you will indicate that.

14 Q And the other check was drawn to the
15 order of Firestone?

16 A I presume Firestone.

17 Q That is the best of your recollection?

18 A Yes.

19 Q When you received this -- by the way,
20 we have marked here as Defendant's Exhibit 5 a document
21 which looks very much like Defendant's Exhibit 1. Can
22 you be certain whether you on December 17th received
23 Defendant's Exhibit 1 or Defendant's Exhibit 5?

24 MR. HAIMOFF: May we look at them?

25 MR. DAVID: Yes.

1

2

A Your question is which one did I receive?

3

Q Yes. On December 16th or 17th.

4

A I can't tell. They appear to be the

5

same.

6

Q Let's use Defendant's Exhibit 1 as the

7

one that you received.

8

A Yes.

9

Q In the mail, and Defendant's Exhibit 5 is

10

the one that you believe you received from David

11

Baird at some time subsequent.

12

Is that probably the case?

13

A That is probably the case.

14

Q So one you received directly on around the

15

17th and Defendant's Exhibit 5 you received from

16

David Baird some time afterwards?

17

A Yes.

18

Q When you got Defendant's Exhibit 1 in the

19

mail, the report of the accountants on The Firestone

20

Group, Ltd., did you recognize what kind of a document

21

it was?

22

A Yes.

23

Q Had you seen documents like this one before?

24

A Yes.

25

Q You had seen reports by certified public

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1
2 accountants on companies?

3 A Yes.

4 Q Had you seen such reports on companies
5 other than your own, that is Stephen-Leedom?

6 A Yes.

7 Q Is Leedom a publicly held company?

8 A No.

9 Q Did you read Defendant's Exhibit 1 when
10 you received it?

11 A When I received this --

12 Q Before you look at it --

13 A When I received this report from Laventhol,
14 I turned to the income statement --

15 Q Did you receive it from Laventhol?

16 A No.

17 Q You received the report from --

18 A When I received this Laventhol report --

19 Q From Firestone, under cover of letter
20 dated December 16th.

21 A I believe that is correct.

22 Q Did you look at it?

23 A Yes.

24 Q And what did it tell you?

25 A Well, first it told me that the auditors

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1
2 were a very fine, prestigious firm who I'd heard
3 of many times before, and I immediately had great
4 confidence in the fact that the certified public
5 accountants were Laventhol, Krekstein, Horwath &
6 Horwath.

7 I turned to the income statement, and
8 it confirmed the impression that I had having read
9 the Firestone report, and knowing the caliber of this
10 firm, Laventhol, this convinced me that I should stay
11 with the investment, because at that time I had the
12 right of rescission.

13 Laventhol's statement confirming what
14 I had previously seen made my mind up.

15 Q You mentioned the Firestone report. You
16 are talking about Exhibit B to the note and stock
17 purchase agreement, which are the financials contained
18 in --

19 A Yes. Yes.

20 Q And you say that the report which is
21 marked Defendant and Third-Party Plaintiff's Exhibit
22 1, when you look at it, to you confirmed what you had
23 previously seen in Exhibit B to the note and stock
24 purchase agreement?

25 A It confirmed the impression I had from

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2 that Exhibit B, I think you called it, or 2, the
3 Firestone report. It confirmed the income.

4 Q And you said that you -- you mentioned
5 also a right of rescission. To what are you
6 referring when you talk of that?

7 A I believe that when I received the
8 Laventhol report, it was with a letter, and in that
9 letter they said, "You have the right to rescind your
10 purchase up to a certain date if you'd like to."

11 Q Is this the letter dated December 16,
12 1969?

13 A Yes, sir.

14 Q Recognizing that we have only a document
15 here which appears to be a copy of the original which
16 you received, I would still like the original that
17 you received.

18 A Yes.

19 MR. DAVID: But I'd like to mark this
20 since we are referring to it as Defendant and
21 Third-Party Plaintiff's Exhibit 9 for identi-
22 fication.

23 (Copy of three-page letter dated December
24 16, 1969 to Mr. Gerald L. Herzfeld marked
25 Defendant and Third-Party Plaintiff's Exhibit 9

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1
2 for identification, as -- this date.)

3 BY MR. DAVID:

4 Q I show you Defendant's Exhibit 9 for
5 identification, and ask you whether that is, to the
6 best of your recollection, an accurate copy of the
7 letter dated December 16, 1969, which you received
8 on or about the 17th or so of '69.

9 A Yes, sir.

10 Q This right of rescission that you
11 testified to before, I believe that you testified
12 that you got that from that letter.

13 A I believe so, yes.

14 Q Could you refer to the language which --

15 A The third portion of Paragraph 5.

16 Q That is all right, you can just identify
17 it that way.

18 MR. HAIMOFF: Where do you see Paragraph

19 5?

20 THE WITNESS: Here.

21 MR. HAIMOFF: Very good.

22 A The third portion of Paragraph 5.

23 MR. HAIMOFF: You mean the third paragraph
24 of Paragraph 5?

25 THE WITNESS: I just didn't want to be

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1
2 redundant.

3 BY MR. DAVID:

4 Q At the bottom of the second page?

5 A Yes.

6 Q You testified that the document which was
7 marked as Defendant's Exhibit 1 for identification,
8 the report of Laventhol, Krekstein, which you received
9 on or around the 17th of December or so, was a document
10 of the kind you had seen before?

11 A Yes.

12 Q You had seen accountant's reports on
13 companies?

14 A I had seen accountant's reports before,
15 certainly.

16 Q Do you know what a clean report is? A
17 clean report of accountants?

18 MR. HAIMOFF: I don't.

19 Q Do you know what the term means?

20 A Clean as opposed to what?

21 Q Qualified report.

22 A Oh, I know what a qualified report is.

23 Q Was the report that you received a
24 qualified report or was it a report without qualifications

25 A Well, of course I know now what it is, but

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1
2 at the time I looked at it, I'm not even sure I knew
3 then what a qualified report was. I had become
4 much more familiar with this report in depth, because
5 it's been explained to me in depth by my attorney
6 since the difficulty started with Firestone.

7 Q When you received the report, marked
8 Defendant and Third-Party Plaintiff's Exhibit 1, did
9 you read it?

10 A When I received the report, I immediately
11 turned to the income statement, and as I told you
12 previously, the income statement confirmed the impression
13 I had from the Firestone unaudited report. And I saw
14 that it --

15 Q Unaudited?

16 A Yes. When I saw that it was a Laventhol
17 report, knowing Laventhol to be one of the finest national
18 accountants, I looked no further. I just accepted it.

19 Q Did you look at the report of the
20 accountants as --

21 A I looked at --

22 Q Let me finish my question.

23 A I'm sorry.

24 Q Did you look at the report of the
25 accountants as opposed to the financial statements

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1 which came right behind it?

2 A No. I looked only at that which
3 interested me, which is the matter of profit. I
4 looked at the income statement. And I did not bother
5 to go beyond that.
6

7 Q And you didn't read the report itself, the
8 first page?

9 MR. HAIMOFF: When you say report, you mean
10 certificate? The report is a whole report, isn't
11 it?

12 MR. DAVID: No. The report is the first
13 page. It's signed by the certified public
14 accountants and it's a report on the attached
15 financial statements.

16 A I would interpret the report as being
17 the entire report from A to Z.

18 Q Did you read the first page?

19 A No.

20 Q Did you read the notes to the financial
21 statements?

22 A No. The only part of the financial state-
23 ment that I looked at was the income statement. And I
24 saw an income there that confirmed what I had previously
25 seen in the Firestone unaudited report, and this was

1
2 the only portion I was interested in.

3 Q Did you look at the balance sheet?

4 A No.

5 Q So all that you looked at in this document
6 marked Defendant's Exhibit 1 is the consolidated state-
7 ment of income, the income statement?

8 A The income statement. That is all I
9 looked at in each of the reports.

10 Q And this confirmed to you what you had seen
11 in the unaudited -- what you had seen in the income
12 statement that was attached to the note and stock
13 purchase agreement?

14 A That is correct.

15 Q I show you these two documents. I show
16 you the income statement contained in Exhibit B to the
17 note and stock purchase agreement, that is Exhibit 2
18 on this deposition, and I show you the income statement
19 contained in a Laventhol, Krekstein report on Firestone
20 marked Defendant's Exhibit 1, and I ask you to tell me
21 in what respects the Laventhol, Krekstein income state-
22 ment confirmed the earlier unaudited statement.

23 A I did not make a direct comparison of these
24 two at the time because I didn't receive them at the
25 same time. And I didn't put them together side by

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side as I am now doing. I did look at the Firestone report at the time I received it and I saw a very substantial income, and then two or three weeks later I received a Laventhol report and a letter which said that this confirms your original statement. I looked at the income statement in the Laventhol report and it confirmed what I recalled to be the substantial income in the unaudited statement.

Q You mentioned a letter?

A Yes.

Q Are you referring to the letter that you received from Firestone?

A I'm referring to the letter which was the covering letter transmitting the Laventhol report.

Q Which is Defendant and Third-Party Plaintiff' Exhibit 9?

A Yes.

Q And where in that letter does it say that Laventhol report confirmed the unaudited statement contained in the note and stock purchase agreement prepared by Firestone?

A I don't know. I'll read the letter and see if I can find where it says something like that.

In the first paragraph of the letter it

1
2 says that "By our letter to you of November 12th, we
3 undertook to deliver to you at the closing copies of
4 our audited financial statement. We are enclosing
5 herewith copies of our financial statements certified
6 by Laventhol," et cetera, et cetera.

7 And in the second paragraph they say that
8 the Laventhol statement, referring to the Laventhol
9 statement, has some audited adjustments which were
10 made because Laventhol is conservative in their accoun-
11 ting practices.

12 Then they go on to talk about certain
13 transactions that were --

14 Q Just tell me what paragraph on what page of
15 the letter.

16 A Paragraph 3 on Pages 1 and 2.

17 Q You say that Paragraph 3 on pages 1 and 2 of
18 the letter dated December 16th from Richard Firestone
19 to you said that the Laventhol report confirmed the
20 earlier report on the finances of Firestone as contained
21 in the note and stock purchase agreement.

22 A I'm sorry. I hate to make you repeat a
23 question.

24 Q As I understand you, you say the paragraph
25 on the bottom of the first page and continuing to the

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1
2 top of the second page of the letter dated December
3 16th, which has been marked as Exhibit 9 here, said
4 that the Laventhol report confirmed the earlier
5 financial reports of the Firestone Company as were
6 contained in the note and stock purchase agreement which
7 you received in November?

8 A Yes.

9 Q Correct?

10 A Yes.

11 Q Do you want to point to the specific
12 language that you have in mind?

13 A Again, you know, I always refer to the
14 only thing that is important to me or was important
15 to me in making a decision here, and that had to do
16 with the income. And in this letter, they say, well,
17 the combination of current deferred income is actually
18 higher than projected. And that is the thing that
19 interested me. It was higher, not lower.

20 Q And that is what they said in the letter?

21 A That is what they said in the letter, and
22 here's the evidence.

23 Q But you looked at this statement of
24 income yourself, didn't you?

25 A Yes.

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Q And you testified from, I believe,
recollection before --

A Yes.

Q What was the total income reported in the
Firestone unaudited statements that were included
in the note and stock purchase agreement? And I show
you the note and stock purchase agreement and ask you
to tell me what the total income there was.

A One million three hundred sixty.

MR. HAIMOFF: That is less taxes?

THE WITNESS: After taxes, one million
three hundred sixty after taxes. Combined net
income, one million three hundred sixty.

MR. HAIMOFF: It's in the portion of the
exhibit which is at the bottom of that page under
the caption, I believe, "Deferred income."
That is what the witness is referring to.

Do you see it at the very bottom, Mr.
David?

MR. DAVID: Yes. I'm looking down at
the bottom.

BY MR. DAVID:

Q Would you point out to me the comparable
figure in the consolidated statement of income contained

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1
2 in Defendant's Exhibit 1?

3 MR. HAIMOFF: The same specific amount.

4 MR. DAVID: Mr. Haimoff, the witness
5 pointed to a line in Note A to the consolidated
6 projected statement of income.

7 Q Let me start again. I asked you before
8 to look at the income statement contained in the note
9 and stock purchase agreement which you received and
10 which was prepared by Firestone and was unaudited.

11 A Yes, sir.

12 Q And to tell me what the income was of
13 the company. And you referred me to a line contained
14 in a Note A to that income statement, called "Combined
15 net income," and told me that it said a million three
16 hundred sixty thousand dollars.

17 A Right.

18 Q I asked you to tell me what the figure was
19 in, the comparable figure in the consolidated statement
20 of income contained in Exhibit 1 was.

21 A The letter --

22 Q I don't want to know about the letter.

23 A I want to answer your question.

24 Q All right.

25 A The covering letter that delivered the

1
2 Laventhol statement said that the income was actually
3 higher than projected in the unaudited statement,
4 and in the audited statement the income showed as
5 one million seven hundred ninety-three thousand
6 dollars, which is higher than the one million three
7 hundred sixty, and that is the figure I relied on.

8 Q This one million seven hundred ninety-five
9 thousand five hundred figure that you referred to in
10 the consolidated statement of income contained in
11 Exhibit 1, is designated deferred gross profit?

12 A Right.

13 Q Is that correct?

14 A That is what it says. Deferred gross
15 profit, one million seven hundred ninety-five thousand
16 dollars.

17 Q And you are saying that that was the same
18 item on the consolidated statement of income as the item
19 called combined net income in Note A to the consolidated

20 A That is not what I said.

21 Q Let me finish. -- to the consolidated
22 statement contained in the note and stock purchase
23 agreement.

24 A That is not what I said.

25 Q I would like to know --

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A What I did say is that the figure in the Laventhol report which is higher than the figure in the Firestone report --

Q Higher than what figure?

A The income figure.

Q Which income figure in the Firestone report?

A The one million three hundred sixty.

Q That is the combined net income?

A Right. And in the covering letter they refer to the fact that the income is higher, they point that out. Therefore, the Laventhol figure confirmed to me the profitability of the company as originally shown to me in the first report.

Q What you are referring to in this consolidated statement of income contained in this note and stock purchase agreement which is our Exhibit 2 on this examination is a figure which takes projected net income, which is three hundred fifteen thousand dollars, and then shows the effect of deferred income on that projected net income in a note, and the bottom of the note says, after deducting taxes and so on, shows combined net income of one million three hundred sixty thousand dollars, correct?

1
2 A Yes.

3 Q When we look at the consolidated state-
4 ment of income contained in the Laventhol, Krekstein
5 report, we find ourselves with a figure of net income
6 comparable to the three hundred fifteen thousand
7 dollar figure of --

8 MR. HAIMOFF: That is not true.

9 MR. DAVID: Let me finish and then explain
10 to me why it's not true.

11 Q --of sixty-six thousand nine hundred
12 sixteen dollars.

13 MR. HAIMOFF: You are trying to compare
14 a net income figure with a deferred income figure.
15 That is the problem you have --

16 MR. DAVID: No, sir. Net income --

17 MR. HAIMOFF: This is without regard to
18 the deferred income. The three hundred fifteen
19 thousand is without regard to the deferred. This
20 is projected deferred income and here you have
21 confirmed the one million seven hundred ninety-
22 five thousand as deferred income, which is also
23 confirmed on the next page, if you are interested
24 in it.

25 If you are interested in the fact, if you

1
2 look at the next page, you will see a statement
3 of schedule of deferred income, which I don't
4 know if the witness looked at at the time or
5 not. So you have to distinguish between the net
6 income and the deferred net income. Do you have
7 that in mind?

8 MR. DAVID: I think I do have that in
9 mind. I see a bottom line after going through --

10 MR. HAIMOFF: No, you don't go through it
11 all. In other words, you have to add back the
12 deferred income. Obviously what Laventhol did
13 here was to indicate that this income would have
14 to be deferred to a subsequent accounting period.

15 MR. DAVID: Yes.

16 MR. HAIMOFF: But the witness has testified
17 that so far as he was concerned, he was not
18 concerned with what period they took the income
19 into account.

20 He was concerned with the fact that the
21 company had earned a profit.

22 BY MR. DAVID:

23 Q Is that your testimony, Mr. Herzfeld?

24 A Exactly.

25 Q Then you felt that the million seven

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1
2 hundred ninety-five thousand dollar figure was or
3 would be income of the company?

4 A Well, it says very definitely it's
5 gross profit, deferred gross profit.

6 Q Is there a designation on the line that
7 you are reading from from Exhibit 1 in the consolidated
8 statement of income that there is a Note 4 attached
9 to it?

10 A Yes. It says Note 4.

11 Q But you never read Note 4, did you?

12 A No. Not at the time. Not at the time
13 I received the statement, I didn't, no.

14 Q And you never read the first page of the
15 report?

16 A No. Not at the time. I have subsequently.

17 Q And you never --

18 A And I'll say this, had I read Page 1 at
19 the time, I don't think I would have understood the
20 significance of it. I am not an auditor, and I'm
21 not an attorney.

22 Q When accountants in your experience say
23 that their statements are subject to the collectibility --
24 when you say an accountant's report that the matters
25 they are reporting the financial results are subject

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1
2 to the collectibility of the balance receivable
3 on a contract of sale, does it arouse your curiosity
4 about the account of sale?

5 A The reports I'm used to looking at in our
6 business sometimes are certified, sometimes are not
7 certified. It's a matter of our normal business
8 practice in our industry, many of them are not
9 certified. And we go by the statement in making
10 credited judgments whether they be certified or not
11 certified.

12 At the time I looked at this statement
13 I didn't read the first page. But if I had read it,
14 it would be a meaningless thing to me if they say subject
15 to the collectibility. To me that would be the same
16 as saying subject to the accuracy of the entire
17 statement.

18 If a figure like fifteen million dollars
19 out of total sales of twenty-two million dollars is
20 subject to collectibility, of what value is the entire
21 statement?

22 Q That is right. It says subject to collect-
23 ibility, and that is exactly what this report says.

24 A Then it is my opinion --

25 Q That is why it's called a qualified
report.

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1
2 A Then it is my opinion as a businessman,
3 not as an accountant or an attorney, because I am
4 neither, that a responsible firm has no right to
5 put a report like this out when -- unless they want
6 to put a big red stamp on and say, pay no attention
7 to any figures in here.

8 I find a report like this highly mis-
9 leading, perhaps to anybody but the most sophisticated
10 auditors.

11 Q But you didn't read Note 4?

12 A No. I didn't read Notes 1, 2, 3, 4 or 12, if
13 there be so many notes.

14 Q You said when you read this line that
15 said deferred gross profit in Exhibit 1 that was
16 a million seven hundred ninety-five thousand five
17 hundred, that you felt that that was income of the
18 company, that it would get either now or later, but
19 it was there.

20 A It said so.

21 Q Would it surprise you to learn that
22 that deferred income item appeared in the liability
23 side of the balance sheet of these financial reports,
24 these financial statements on which the report was
25 given?

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1
2 A Would it surprise me to see that the
3 profit was on the liability side?

4 Q That the deferred income was on the
5 liability side of the balance sheet?

6 A I guess it would.

7 Q And that --

8 MR. HAIMOFF: Everything is on the
9 liability side.

10 A I don't know. It surprises me because I
11 don't know where it belongs. I just know that when you
12 look at an income statement, it shows what the income
13 is. You rely on that income. I don't know where
14 you put --

15 MR. HAIMOFF: I think there is a mis-
16 apprehension about accounting procedures here,
17 Mr. David. Profits, stock, equity all are on
18 the liability side. That is the way accounting
19 statements are prepared.

20 THE WITNESS: Equity is certainly on the
21 liability side.

22 MR. DAVID: You are wrong, Mr. Haimoff.
23 As a matter of fact, when the income is realized
24 by the firm, the accountants are obliged to
25 put it on the asset side of the balance sheet.

1
2 If accountants are certain of its
3 collectibility. This is my understanding of
4 accounting practice requirements.

5 THE WITNESS: Retained earnings.

6 BY MR. DAVID:

7 Q Retained earnings are the equity of the
8 company, sir.

9 A We are discussing equity now.

10 Q The liabilities, you have retained earnings
11 underneath liabilities on the balance sheet.

12 A I don't think ---

13 MR. DAVID: Off the record.

14 (Discussion off the record.)

15 MR. DAVID: I'd like to put on the record
16 that in the course of this examination, and
17 Mr. Herzfeld's review of Defendant's Exhibit 1
18 for identification, Mr. Herzfeld made pencil
19 checks on the consolidated statement of income
20 next to the figures one million seven hundred
21 ninety-five thousand five hundred, and figures
22 nine hundred eighty-one thousand five hundred
23 seventy-nine, which pencil checks I have erased.

24 MR. HAIMOFF: That is satisfactory.
25

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MR. HAIMOFF: That is satisfactory.

MR. DAVID: Second, the examination
is hereby recessed subject to renewal upon
agreement of the parties as to date and place.

(Time noted: 5:00 p.m.)

Subscribed and sworn to before me

this 11 day of March 1972.

Harold W. Sital
HAROLD W. SITAL
Notary Public, State of New York
My Comm. Expires 12/31/73
132 Nassau Street, New York 10038

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C E R T I F I C A T E

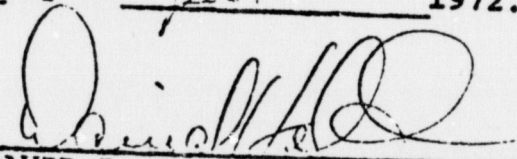
STATE OF NEW YORK)
: ss
COUNTY OF NEW YORK)

I, DAVID J. FELDMAN, C.S.R., a Notary
Public within and for the State of New York,
do hereby certify:

That GERALD L. HERZFELD, the witness
whose deposition is hereinbefore set forth,
was duly sworn by me and that such deposition
is a true record of the testimony given by
such witness.

I further certify that I am not related
to any of the parties to this action by blood
or marriage; and that I am in no way interested
in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set
my hand this 30 day of April 1972.



DAVID J. FELDMAN, C.S.R.

I N D E X

<u>WITNESS</u>	<u>EXAMINATION BY</u>	<u>PAGE</u>
Gerald L. Herzfeld	Mr. David	4

EXHIBITSDEFENDANT AND THIRD-
PARTY PLAINTIFF'SFOR IDENT.

1	Document designated on cover page The Firestone Group, Ltd. and Subsidiaries from dated of inception on December 26, 1968 to November 30, 1969, and containing a report of Laventhol, Krekstein, Horwath & Horwath, on attached financial statement of The Firestone Group, Ltd. and Subsidiaries	22
2	Document designated The Firestone Group, Ltd., note and stock purchase agreement dated November 10, 1969	26
3	Unsigned Xerox copy of purported letter dated November 21, 1969 from Richard Firestone to Gerald Herzfeld, consisting of two pages	27
4	Copy of letter dated November 24, 1969 from Gerald Herzfeld to James W. Deer	38

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INDEX OF EXHIBITS (cont'd)DEFENDANT AND THIRD-
PARTY PLAINTIFF'SFOR IDENT.

- | | | |
|---|---|----|
| 5 | Document designated on the cover page as The Firestone Group, Ltd. and Subsidiaries from date of inception on December 26, 1968 to November 30, 1969, containing report of Laventhol, Krekstein, Horwath & Horwath, on attached financial statement of The Firestone Group, Ltd. and Subsidiaries | 71 |
| 6 | Document on gold paper designated The Firestone Group, Ltd. and Subsidiaries, consolidated financial statements, December 31, 1969 (unaudited) | 71 |
| 7 | Single-page document designated The Firestone Group, Ltd. and Subsidiaries, consolidated and deferred income for the nine months ended January 31, 1970 | 71 |
| 8 | Document entitled "Annual Report to Shareholders, 1970, Firestone Group, Ltd." | 72 |
| 9 | Copy of three-page letter dated December 16, 1969 to Mr. Gerald L. Herzfeld | 79 |

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EXHIBIT C - LETTER FROM MORRIS A. SCHWALB TO CHESTER WADLEY E345
DATED NOVEMBER 17, 1969

LAVENTHOL KREKSTEIN HORWATH & HORWATH

CERTIFIED PUBLIC ACCOUNTANTS

3700 WILSHIRE BOULEVARD
LOS ANGELES, CALIF. 90005
(213) 381-5393

OFFICES THROUGHOUT THE WORLD
November 17, 1969

Mr. Chester Wadley
The Firestone Group, Ltd.
342 Rodeo Drive
Beverly Hills, California

Dear Chet:

This letter is a summary of what was discussed in our meeting this morning in connection with the audit at November 30:

1. You will close the books at November 25 but accrue expenses on an estimated basis through November 30.
2. You will have a messenger pick up the bank statements on November 26.
3. We will start the audit on November 28.
4. You should plan to have your personnel available through the weekend of November 29 and 30 and the evenings of December 1 and 2.
5. We will need the following items for our audit:
 - A. A trial balance at November 30 showing general ledger balances, your adjustments and final balance. (eliminating 1/20 accounts)
 - B. A suitable general ledger for us to verify the trial balance.
 - C. Supporting schedules for all major balance sheet accounts together with supporting documents.
 - D. The complete analysis of the profit and loss accounts which were previously given to you along with supporting data.
 - E. A reconciliation of due to/from various affiliates which will show the reconciliation to their records.
 - F. A complete schedule of all proposed syndications.
 - G. A complete schedule of fixed commitments to purchase land or other assets.

6. Enclosed are adjusting journal entries which were used for the April 30 closing and for the financial statements prepared for Firestone Securities Corporation at August 31, 1969.
7. Kindly have all documents available for our inspection.
8. Please have management jot down all items which they feel we should footnote in your financials.
9. Your personnel is to schedule the seminar and syndication costs by location. As we had agreed, all in-state seminars will be amortized over a thirty-month period and all out-of-state costs will be deferred charges at November 30.
10. While auditing the trial balance at September 30, certain accounts were questioned. A list of these follows:
 - ✓ A. Other income.
 - ✓ B. Interest income.
 - ✓ C. Research and development.
 - ✓ D. Rent.
 - ✓ E. Lecture fees.
 - ~~F. Maps and survey -- account 0161.~~ *limited*
 - ✓ G. Advertising and public relations - account 0339.
 - ✓ H. Repairs and maintenance - A & T account 0360. *mm*
11. Please determine the terminology for the following accounts:
 - A. 0382 ?
 - B. 5026 ?
 - C. 5088 ?

If there are any questions concerning what we want or how we want it, please contact me immediately.

Very truly yours,

LAVENTHOL KREKSTEIN HORWATH & HORWATH

M. A. Schwalb
Morris A. Schwalb

MAS:kh
Enclosures

cc: Richard Firestone
Arnold Lipkin
Martin Scott

**EXHIBIT D - LETTER FROM THE FIRESTONE GROUP, LTD. TO
LAVENTHOL KREKSTEIN HORWATH & HORWATH**

E347

Laventhol Krekstein Horwath & Horwath
3700 Wilshire Boulevard, Suite 900
Los Angeles, California 90005

Gentlemen:

In connection with your examination of the consolidated financial statements of The Firestone Group, Ltd. and its wholly owned subsidiaries as of November 30, 1969, we hereby confirm, to the best of our knowledge and belief, certain information and opinions expressed to you during the course of such examination.

The following companies are wholly owned subsidiaries, except that in the case of Housing Resources Corporation, a 10% interest is to be transferred to an employee under an employment contract:

Firestone Development Corporation
Firestone Equities Corporation
Firestone Management Corporation
Firestone Securities Corporation
Housing Resources Corporation

The entity has satisfactory title to all recorded assets and there are no liens or encumbrances thereon other than those recorded in the books of account.

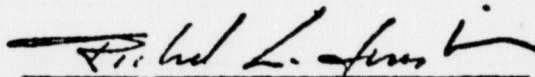
Receivables represent uncollected sales to customers, or sums owing to the company from others, due within the coming year and that they are all deemed collectible in their entirety.

Land purchase agreements have been valued by the Board of Directors based upon independent real estate appraisals.

All liabilities of the company of which we have knowledge have been recorded or have been disclosed to you and we have no knowledge of any lawsuits, tax or other claims, or litigation of any consequent pending against The Firestone Group, Ltd. nor of any other contingent liabilities other than as disclosed to you in connection with the suit by a former employee.

THE FIRESTONE GROUP, LTD.

By: Richard Firestone
Martin Scott



24



The Firestone Group, Ltd.

INVESTMENT DIVISION

342 NORTH RODEO DRIVE • BEVERLY HILLS, CALIFORNIA 90210 • (213) 278-1800

May 26, 1970

Laventhol Krekstein Horwath & Horwath
3700 Wilshire Boulevard
Los Angeles, California 90005

Gentlemen:

In connection with your examination of our consolidated financial statements as of January 31, 1970, we submit, at your request, the following representations according to the best of our knowledge and belief.

The notes and other receivables at January 31, 1970 aggregating \$18,477,056 represent valid claims against debtors. Adequate provision has been made for anticipated losses in connection with the collection of such receivables.

The company has satisfactory title to all real property as reflected in the accounts. You have been informed of the pledge of such property as collateral for notes payable to various parties.

Property and equipment are unencumbered assets of the company. Such assets are stated at cost.

Deferred costs in the amount of \$1,159,035 are considered to be properly chargeable to operations of future years.

All direct liabilities of the company at January 31, 1970 were recorded on the books as of that date or, if not recorded, were made known to you.

We have no knowledge of any lawsuits, tax or other claims, or litigation of any consequence pending against the company, nor of any other contingent liabilities of any nature except as stated in note 8 of the Notes to Financial Statements.

Minutes of meetings of shareholders and of directors, which have

been made available to you, are complete and authentic records of proceedings at all such meetings held from inception to May 26, 1970.

You have been informed about all of the company's commitments to purchase and sell property as stated in note 11 of the Notes to Financial Statements.

We understand you have examined or tested accounting records of the company and other supporting evidence by methods and to the extent you deemed appropriate for the purpose of expressing an opinion on the financial statements, but that such test examination would not necessarily disclose irregularities should any exist. No shortages or other irregularities have been discovered that have not been disclosed to you.

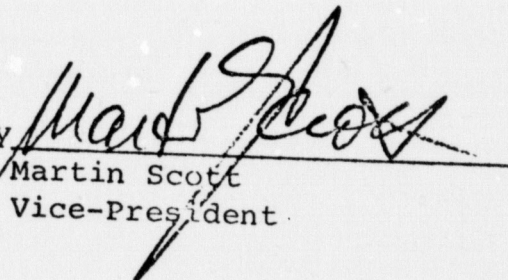
No events have occurred and no facts have been discovered since January 31, 1970 which would make materially inaccurate or misleading the balance sheet as of that date or the income and shareholders' equity statements for the period then ended.

We further represent to you that all transactions and commitments have been conducted and completed on an arms' length basis.

Very truly yours,

THE FIRESTONE GROUP, LTD.
and Subsidiaries

By


Martin Scott
Vice-President

By

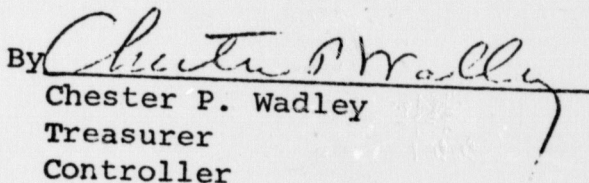

Chester P. Wadley
Treasurer
Controller

EXHIBIT F - LETTER FROM MORRIS A. SCHWALB TO
CHESTER WADLEY DATED NOVEMBER 17, 1969

E350

ATTENTION: KRISTEN HORWATH & HORWATH

CERTIFIED PUBLIC ACCOUNTANTS

3700 WILSHIRE BOULEVARD
LOS ANGELES, CALIF. 90005
(213) 381-5393

OFFICES THROUGHOUT THE WORLD
November 17, 1969

Mr. Chester Wadley
The Firestone Group, Ltd.
342 Rodeo Drive
Beverly Hills, California

Dear Chet:

This letter is a summary of what was discussed in our meeting this morning in connection with the audit at November 30:

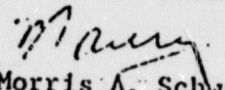
1. You will close the books at November 25 but accrue expenses on an estimated basis through November 30.
2. You will have a messenger pick up the bank statements on November 26.
3. We will start the audit on November 28. *Friday*.
4. You should plan to have your personnel available through the weekend of November 29 and 30 and the evenings of December 1 and 2.
5. We will need the following items for our audit:
 - A. A trial balance at November 30 showing general ledger balances, your adjustments and final balance. *(eliminating 4/30 amounts)*
 - B. A suitable general ledger for us to verify the trial balance.
 - C. Supporting schedules for all major balance sheet accounts together with supporting documents.
 - D. The complete analysis of the profit and loss accounts which were previously given to you along with supporting data.
 - E. A reconciliation of due to/from various affiliates which will show the reconciliation to their records.
 - F. A complete schedule of all proposed syndications.
 - G. A complete schedule of fixed commitments to purchase land or other assets.

6. Enclosed are adjusting journal entries which were used for the April 30 closing and for the financial statements prepared for Firestone Securities Corporation at August 31, 1969.
7. Kindly have all documents available for our inspection.
8. Please have management jot down all items which they feel we should footnote in your financials.
9. Your personnel is to schedule the seminar and syndication costs by location. As we had agreed, all in-state seminars will be amortized over a thirty-month period and all out-of-state costs will be deferred charges at November 30.
10. While auditing the trial balance at September 30, certain accounts were questioned. A list of these follows:
 - A. Other income.
 - B. Interest income.
 - C. Research and development.
 - D. Rent.
 - E. Lecture fees.
 - F. Maps and survey - account 0161.
 - G. Advertising and public relations - account 0339.
 - H. Repairs and maintenance - A & T account 0360.
11. Please determine the terminology for the following accounts:
 - A. 0382
 - B. 5026
 - C. 5088

If there are any questions concerning what we want or how we want it, please contact me immediately.

Very truly yours,

LAVENTHOL KREKSTEIN HORWATH & HORWATH


Morris A. Schwalb

MAS:kh
Enclosures

cc: Richard Firestone
Arnold Lipkin
Martin Scott

THE FIRESTONE GROUP, LTD.

Minutes of Special Meeting of the
Board of Directors

Held November 13, 1969

A special meeting of the Board of Directors of THE FIRESTONE GROUP, LTD. was held at the Corporation's offices at 342 North Rodeo Drive, Beverly Hills, California, on the 13th day of November, 1969 at 10:00 o'clock in the forenoon.

There were present Messrs. Richard M. Firestone, Lee W. Meyer and Martin A. Scott, constituting all of the members of the Board of Directors of the Corporation.

Mr. Firestone, President of the Corporation, acted as Chairman of the meeting and Mr. Scott, Secretary of the Corporation, acted as Secretary of the meeting.

The Chairman reported that arrangements had been made by the Corporation with Allen & Company Incorporated for the private placement of up to \$7,500,000 principal amount of 9-1/2% promissory notes of the Corporation due December 1, 1975 and up to 150,000 shares of the Corporation's common stock to be sold in Units, each Unit consisting of a Note in principal amount of \$250,000 and 5,000 shares of common stock at a price of \$255,000 per Unit, the Notes to be sold at par and the common stock at a price of \$1.00 per share. The Chairman noted that each of the

Left's Encl. G

E353

directors had been furnished with a proposed form of Note and Stock Purchase Agreement dated November 10, 1969 between the Corporation and each prospective purchaser of Units.

After discussion, on motion duly made and seconded, it was unaimously

RESOLVED, that the Corporation be and hereby is authorized to issue and sell up to \$7,500,000 principal amount of its 9-1/2% promissory notes due December 1, 1975 and up to 150,000 shares of its common stock, par value \$.10 per share, to be sold in Units, each Unit consisting of a Note in principal amount of \$250,000 and 5,000 shares of common stock, for an aggregate sale price of \$255,000 per Unit, \$250,000 of the purchase price per Unit to be attributable to the Note at par and \$5,000 per Unit to be attributable to the shares of common stock included therein at a price of \$1.00 per share; and further

RESOLVED, that the Corporation issue and sell the securities through Allen & Company Incorporated to a limited group of private investors pursuant to and in accordance with the terms, conditions and provisions contained in the form of Note and Stock Purchase Agreement dated November 10, 1969 presented to the meeting; and further

RESOLVED, that the proper officers of the Corporation be and hereby are authorized and directed to execute and deliver on behalf of the Corporation the said Note and Stock Purchase Agreement, the Notes and shares of common stock hereinabove authorized and any and all other documents and things necessary to consummate the transactions contemplated by the said Note and Stock Purchase Agreement; and further

RESOLVED, that the Corporation be and hereby is authorized and directed to pay to Allen & Company Incorporated out of the proceeds realized from the sale of the said Notes and shares of common stock a fee for its services in connection with the sale thereof of \$200,000, which fee is hereby deter-

E354

mined to be fair as to the Corporation as determined by Messrs. Firestone and Scott as a majority of disinterested directors, Mr. Meyer being an officer of Allen & Company Incorporated; and further

RESOLVED, that the proper officers of the Corporation executing the Note and Stock Purchase Agreements be and hereby are authorized to make such changes and modifications therein as they may deem to be in the best interests of the Corporation, such changes or modifications to be evidence of their determination that such was in the best interests of the Corporation.

The Chairman then stated that arrangements having been concluded for the aforesaid private placement, it was no longer necessary to proceed with the proposed public offering of securities by the Corporation contemplated by the Registration Statement on Form S-1 previously filed with the Securities and Exchange Commission and that he had, in conjunction with Jacobs Persinger & Parker, counsel to the Corporation in connection with the Registration Statement, requested the Securities and Exchange Commission to order the withdrawal of the Registration Statement.

After discussion, on motion duly made and seconded, it was unanimously

RESOLVED, that the action taken by the President of the Corporation in requesting the Securities and Exchange Commission, Washington, D. C., to order the withdrawal of the Registration Statement on Form S-1 previously filed with the Securities and Exchange Commission be and hereby is in all respects ratified and approved.

The Chairman then stated that it would be desirable to amend certain of the Corporation's banking resolutions with

E355

Irving Trust Company and Union Bank to permit additional signatories thereon.

After discussion, on motion duly made and seconded, it was unanimously

RESOLVED, that the Corporation's banking resolutions heretofore filed with Irving Trust Company and Union Bank be and the same hereby are amended in accordance with the forms of resolutions annexed hereto and made a part hereof.

Mr. Meyer presented to the meeting forms of Employment Agreements dated as of January 2, 1969 between the Corporation and each of Richard M. Firestone and Martin A. Scott.

After discussion, on motion duly made and seconded, it was unanimously

RESOLVED, that the proper officers of the Corporation be and hereby are authorized on behalf of the Corporation to enter into Employment Agreements dated as of January 2, 1969 in the form presented to the meeting with each of Richard M. Firestone and Martin A. Scott.

There followed a general discussion with respect to the present status of Medical Pension Funds of America, a California corporation organized by Messrs. Firestone and Scott, all of the capital stock of which is owned by them. Mr. Firestone stated that a substantial amount of work had been done and expenses incurred by Mr. Scott and him in connection with Medical Pension Funds of America, it being understood that the Corporation at its option could at any time request an assignment of all right, title and interest

E356

in and to the tangible and intangible assets of Medical Pension Funds of America in consideration for the reimbursement of Mr. Scott and him of the out-of-pocket expenses incurred by them directly in connection therewith. Mr. Meyer, the sole disinterested director, requested that Messrs. Firestone and Scott prepare for submission to the Board of Directors at its next meeting a written report with respect to the tangible and intangible assets of Medical Pension Funds of America together with a schedule of direct out-of-pocket expenses incurred by Messrs. Firestone and Scott in connection therewith so that the Board could consider whether or not to exercise its option to purchase said assets.

There being no further business to come before the meeting, on motion duly made and seconded, the meeting

A d j o u r n e d.

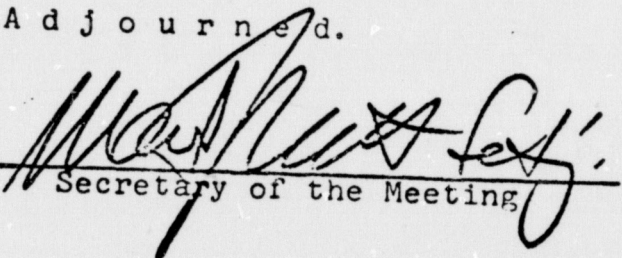

Secretary of the Meeting

EXHIBIT H - RELEASES

E357

JULIUS BLUMBERG, INC., LAW BLANK PUBLISHERS
80 EXCHANGE PLACE AT BROADWAY, NEW YORK

To all to whom these Presents shall come or may Concern,

Greeting: KNOW YE, That I, DAN W LUFKIN,
for and in consideration of the sum of Ten and 00/100 -----

----- dollars (\$10.00)

lawful money of the United States of America ~~and~~ and other good and
valuable consideration to me in hand paid by ~~XXXXXXXXXXXX~~

ALLEN & COMPANY and its partners and ALLEN & COMPANY INCORPORATED,

the receipt whereof is hereby acknowledged, have remised, released, and forever discharged and by
these presents do for myself, my
heirs, executors, and administrators and assigns, remise, release and forever discharge the said

ALLEN & COMPANY and its partners and ALLEN & COMPANY INCORPORATED, its

heirs, executors, administrators, successors and assigns of and from all manner of actions, causes of
action, suits, debts, dues, sums of money, accounts, reckoning, bonds, bills, specialties, covenants, con-
tracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions,
claims and demands whatsoever, in law, in admiralty, or in equity, which against the said

ALLEN & COMPANY and its partners and ALLEN & COMPANY INCORPORATED, I

ever had, now have or which

my

heirs, executors,

or administrators, hereafter can, shall or may have for, upon or by reason of any matter, cause or thing
whatsoever from the beginning of the world to the day of the date of these presents, and more
particularly all claims arising out of or relating to the purchase
from The Firestone Group, Limited of one unit of The Firestone Group,
Limited, consisting of \$250,000 principal amount of 9-1/2% Promissory
Note due December 1, 1975 of The Firestone Group, Limited and 5,000
shares of Common Stock of said Company.

This release may not be changed orally.

In Witness Whereof,

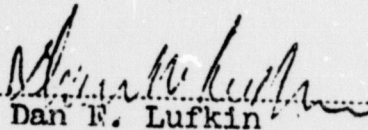
have hereunto set

hand and seal

the 26 day of Feb.

19 71.

Sealed and delivered in the presence of


Dan W. Lufkin

L.S.

State of NEW YORK

County of NEW YORK

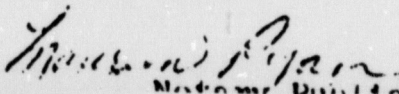
ss.:

On the 26 day of Feb.

1971 before me personally came

DAN W. LUFKIN

Def't's Ex. 11

to me known, and known to me to be the individual
instrument, and duly acknowledged to me that hedescribed in, and who executed the foregoing
executed the same.HENRY P. RYAN
Notary Public for the State of New York
Notary Public for the State of New York

State of
County of

} ss.:

E358

On the

day of

19

before me personally came

to me known, and known to me to be the individual described in, and who executed the foregoing
instrument, and duly acknowledged to me that he executed the same.

DAN F. LUFKIN

TO

ALLEN & COMPANY and its part-
ners and ALLEN & COMPANY
INCORPORATED

General Release

To all to whom these Presents shall come or may Concern,

Greeting: KNOW YE. That I, DAVID MERRICK, of 246 West 44th Street, New York, New York,

for and in consideration of the sum of ONE DOLLAR (\$1.00) and other good and valuable consideration,

lawful money of the United States of America to me ~~XXXXXX~~ in hand paid by THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED and ALLEN & COMPANY, a partnership,

the receipt whereof is hereby acknowledged, have remised, released, and forever discharged and by these presents do for myself, my

heirs, executors, and administrators and assigns, remise, release and forever discharge the said

THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED and ALLEN & COMPANY, a partnership, their

~~XXXXXX~~ successors and assigns of and from all manner of actions, causes of action, suits, debts, dues, sums of money, accounts, reckoning, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law, in admiralty, or in equity, which against them, I

ever had, now have or which I or my heirs, executors, or administrators, hereafter can, shall or may have for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of these presents, particularly any claims arising out of the purchase by the undersigned of one (1) unit of THE FIRESTONE GROUP, LTD., a Delaware corporation, in December 1969.

This release may not be changed orally.

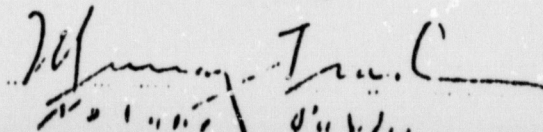
In Witness Whereof, I have hereunto set my hand and seal the day of March, 1971. Sealed and delivered in the presence of

 L.S.
DAVID MERRICK

State of NEW YORK, County of NEW YORK
On the 8 day of March,
DAVID MERRICK

ss.:
19 71, before me personally came

to me known, and known to me to be the individual described in, and who executed the foregoing instrument, and duly acknowledged to me that he executed the same


Notary Public

State of

County of

} ss.:

E360

On the

day of

19

before me personally came

to me known, and known to me to be the individual
instrument, and duly acknowledged to me that he

described in, and who executed the foregoing
executed the same

DAVID MERRICK

TO

THE FIRESTONE GROUP, LTD.,
ALLEN & COMPANY INCORPORATED
and ALLEN & COMPANY, a
partnership.

General Release

To all to whom these Presents shall come or may Concern, E361

Greeting: KNOW YE, That I, MAURICE GOODMAN, of 277 Park Avenue,

New York, N. Y.,

for and in consideration of the sum of ONE DOLLAR (\$1.00) and other good and valuable consideration,

lawful money of the United States of America to me

~~XXXXXX~~XXXXXXXXXXXX

in hand paid by

THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED and ALLEN & COMPANY, a partnership,

the receipt whereof is hereby acknowledged, have remised, released, and forever discharged and by these presents do for myself, my heirs, executors, and administrators and assigns, remise, release and forever discharge the said

THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED and ALLEN & COMPANY, a partnership, their

~~heirs, executors, and administrators~~, successors and assigns of and from all manner of actions, causes of action, suits, debts, dues, sums of money, accounts, reckoning, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law, in admiralty, or in equity, which against

ever had, now have or which I or my heirs, executors, or administrators, hereafter can, shall or may have for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of these presents, particularly any claims arising out of the purchase by the undersigned of one (1) unit of THE FIRESTONE GROUP, LTD., a Delaware corporation, in December 1969.

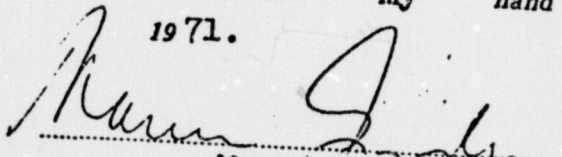
This release may not be changed orally.

In Witness Whereof,

the 23rd day of March, 1971.

Sealed and delivered in the presence of

have hereunto set my hand and seal 1971.


Maurice Goodman L.S.

State of NEW YORK,

On the 23rd

County of NEW YORK,
day of March,

ss.:

1971, before me personally came

MAURICE GOODMAN

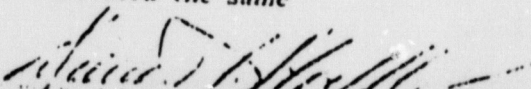
to me known, and known to me to be the individual instrument, and duly acknowledged to me that he

described in, and who executed the foregoing executed the same

DANIEL J. STOFFLER

Notary Public, State of New York

53-107243



State of

County of

ss.: }

E362

On the

day of

19

before me personally came

to me known, and known to me to be the individual
instrument, and duly acknowledged to me that he

described in, and who executed the foregoing
executed the same

MAURICE GOODMAN

TO

THE FIRESTONE GROUP, LTD.,
ALLEN & COMPANY INCORPORATED
and ALLEN & COMPANY, a
partnership

General Release

To all to whom these Presents shall come or may Concern, E363

Greeting: KNOW YE, That the undersigned, E.E.S. CAPITAL ASSOCIATES, a partnership, with offices at 375 Park Avenue, New York, N. Y.,

for and in consideration of the sum of One (\$1.00) Dollar and other good and valuable considerations

lawful money of the United States of America to it ~~Notary~~ in hand paid by THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED and ALLEN & COMPANY, a partnership,

has the receipt whereof is hereby acknowledged, ~~has~~ remised, released, and forever discharged and by these presents does for itself, its successors

~~and assigns~~ and assigns, remise, release and forever discharge the said THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED and ALLEN & COMPANY, a partnership, their

~~successors and assigns of and from all manner of actions, causes of action, suits, debts, dues, sums of money, accounts, reckoning, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, judgments, extents, executions, claims and demands whatsoever, in law, in admiralty, or in equity, which against the said~~ THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED and ALLEN & COMPANY, it

ever had, now has or which it or its successors and assigns ~~hereafter~~ hereafter can, shall or may have for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of these presents, particularly any claims arising out of the purchase by the undersigned of three-tenths (3/10) of one (1) Unit of THE FIRESTONE GROUP, LTD., a Delaware corporation, in December, 1969.

This release may not be changed orally.

In Witness Whereof, I the 21st day of December,

have hereunto set

hand and seal

19 71.

E.E.S. CAPITAL ASSOCIATES

General Partner

L.S.

State of NEW YORK

County of NEW YORK

On the 21st day of

December,

ss.:

one of the partners of E.E.S. CAPITAL ASSOCIATES, the partnership which

~~executed the foregoing instrument, and duly acknowledged to me that he~~ executed the same

WALTER OLIVEN
Notary Public, State of New York
No. 41 8211 10

Walter Oliven

County of

ss.:

E364

On the

day of

19

before me personally came

to me known, and known to me to be the individual
instrument, and duly acknowledged to me that he

described in, and who executed the foregoing
executed the same

TO

General Release

To all to whom these Presents shall come or may Concern, E365

Greeting: KNOW YE, That the undersigned, FREEMAN & GERLA, a partnership, with offices at 430 Park Avenue, New York, N.Y., for and in consideration of the sum of ONE DOLLAR (\$1.00) and other good and valuable consideration, lawful money of the United States of America to it

~~XXXXXXXXXXXXXXXXXXXX~~
in hand paid by

THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED and ALLEN & COMPANY, a partnership the receipt whereof is hereby acknowledged, has remised, released, and forever discharged and by these presents does for itself, its successors and assigns, remise, release and forever discharge the said ~~XXXXXXXXXXXXXXXXXXXX~~ THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED and ALLEN & COMPANY, a partnership, their

~~XXXXXXXXXXXXXXXXXXXX~~ and assigns of and from all manner of actions, causes of action, suits, debts, dues, sums of money, accounts, reckoning, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law, in admiralty, or in equity, which against

ever had, now has or which it or its successors and assigns ~~XXXXXXXXXXXXXXXXXXXX~~ hereafter can, shall or may have for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of these presents, particularly any claims arising out of the purchase by the undersigned of one (1) unit of THE FIRESTONE GROUP, LTD., a Delaware corporation, in December 1969.

The release to Allen & Company and Allen & Company Incorporated, refers to the Firestone Group Ltd. matter only.
This release may not be changed orally.

In Witness Whereof,

I

have hereunto set my

hand and seal

day of April

19 71

FREEMAN & GERLA

By:

L.S.

General Partner

State of NEW YORK

County of NEW YORK

On the 8th day of April

ss.:

19 71 before me personally came

19 71 before me personally came

one of the partners of the partnership which to me known, and known to me to be the ~~XXXXXXXXXXXXXXXXXXXX~~ executed the foregoing instrument, and duly acknowledged to me that /s/ executed the same the partnership

Notary Public in and for the State of New York

[Signature]

State of

County of

} ss.:

E366

On the

day of

19 before me personally came

to me known, and known to me to be the individual
instrument, and duly acknowledged to me that he

described in, and who executed the foregoing
executed the same

FREEMAN & GERLA

TO

THE FIRESTONE GROUP, LTD.,
ALLEN & COMPANY INCORPORATED
and ALLEN & COMPANY, a
partnership

General Release

To all to whom these Presents shall come or may Concern, E367

Greeting: KNOW YE, That the undersigned, SESKIS & WOHLSTETTER, a partnership, with offices at 55 Broad Street, New York, N.Y. for and in consideration of the sum of ONE DOLLAR (\$1.00) and other good and valuable consideration

lawful money of the United States of America to

it

in hand paid by

THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED
and ALLEN & COMPANY, a partnership

the receipt whereof is hereby acknowledged, have remised, released, and forever discharged and by these presents do for itself, its successors

~~and assigns, remise, release and forever discharge the said~~

THE FIRESTONE GROUP, LTD., ALLEN & COMPANY INCORPORATED and
ALLEN & COMPANY, a partnership, their

~~and assigns of and from all manner of actions, causes of~~
action, suits, debts, dues, sums of money, accounts, reckoning, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law, in admiralty, or in equity, which against

ever had, now has or which it or its successors and assigns

~~hereafter can, shall or may have for, upon or by reason of any matter, cause or thing~~
whatsoever from the beginning of the world to the day of the date of these presents particularly any claims arising out of the purchase by the undersigned of one (1) unit of THE FIRESTONE GROUP, LTD., a Delaware corporation, in December 1969.

The release to Allen & Company and Allen & Company Incorporated, refers to the Firestone Group Ltd. matter only.

This release may not be changed orally.

In Witness Whereof, I

have hereunto set my hand and seal

the 4th day of August

Sealed and delivered in the presence of

1971
SESKIS & WOHLSTETTER

By: Julius Blumberg L.S.
General Partner

State of NEW YORK

County of NEW YORK

On the 4th day of August

ss.:

1971 before me personally came

one of the partners of the partnership which

to me known, and known to me to be the individual who executed the foregoing instrument, and duly acknowledged to me that the partnership

Notary Public, State of New York

No. 41-1595-0

Qualified in New York County

Cert. filed with N.Y. County Clerk

Commission Expires March 30, 1973

Julius Blumberg

State of

County of

On the

day of

} ss.:

19 before me personally came

E360

to me known, and known to me to be the individual
instrument, and duly acknowledged to me that he

described in, and who executed the foregoing
executed the same

SESKIS & WOHLSTETTER

TO

THE FIRESTONE GROUP, LTD.,
ALLEN & COMPANY INCORPORATED
and ALLEN & COMPANY, a
partnership

General Release

CHARLES CARLSON

Emp.
Hrs.

138

Two Weeks
Ended

12-20-69

E370

NOT CHARGEABLE TIME		DESCRIPTION (if needed)		Date	12/1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total Hrs.
Administration		Internal Accounting																							
		Internal Accounting																							
		Firm Meetings																							
		Firm Committees																							
		Administrative Travel																							
		Programming																							
		Personnel																							
		Community Activities																							
		Professional Activities																							
		Business Development																							
		Education and Training																							
		ERH Sponsorship Programs																							
		Other Training Programs																							
		Assigned Reading/Research																							
		Gen'l Reading/Research																							
		Unassigned Absences																							
		Holiday																							
		Vacation																							
		Sickness																							
		Time Off																							
		Total Non-Chargeable Time																							

Internal Accounting

Internal Accounting

Calif. CMA Society - Secretary
AICPA Grand Prix Com.

Pres. of Soc. Int'l. (from the)

Code	Total Time Hrs.	Qtr.
901	2.00	
902		
903		
904	18.50	
905		
906		
907		
908		
909	13.00	
909	33.00	
910		
911	12.50	
912		
913		
914		
941		
942		
943		
944		
945		
	79.00	

[illegible]

Office	Code	Total Hrs.	Time Qtr.
01	901	1	00
	902	2	00
	903	2	00
	904	1	00
	905	53	00
	906		
	907		
	908		
	909		
	910		
	911	4	00
	912	1	00
	913		
	914	3	00
	915		
02	942	8	00
	943		
	944		
	945		
	946	15	00

PEPSHING SQUARE
CITY NATIONAL BANK
6th & Olive Streets
LOS ANGELES, CALIFORNIA 90014

LAVENTHOL KREKSTEIN HORWATH & HORWATH
Certified Public Accountants
3700 WILSHIRE BLVD. — SUITE 900
LOS ANGELES, CALIF. 90005
(213) 381-5393

E373

03786

16-26
1220

DATE: December 6, 1969

Pay

12200000281016018546

Dollars \$ 25.67

TO THE
ORDER OF • CHARLES CHAZEN

LAVENTHOL KREKSTEIN HORWATH & HORWATH

NON-NEGOTIABLE

12200000281016018546

PLEASE DETACH BEFORE DEPOSITING CHECK

DESCRIPTION

ACCT. NO.

AMOUNT

193

Expenses for two weeks ended 12/06/69

LAVENTHOL KREKSTEIN HORWATH & HORWATH
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT A-1 - AGREEMENT DATED NOVEMBER 22, 1969

ME -> TPG

Pyff's EXH 12 for rel

23

E375

Third Party Defendant -
EXH A-1
10/16/73

AGREEMENT FOR SALE OF REAL ESTATE

THIS AGREEMENT, made in duplicate this 22nd day of November, 1969

between MONTEREY NURSING HOMES, INC. herein called Seller,

and THE FIRESTONE GROUP, LTD., a Delaware Corporation herein called Buyer.

WITNESSETH: that Seller, in consideration of the covenants and agreements of Buyer herein contained, agrees to sell and convey unto Buyer and Buyer agrees to buy the real property situate in various counties and states as per Exhibit "A"

attached hereto and made a part hereof.

State of California, hereinafter referred to as "said realty" as described as follows:

SUBJECT PROPERTIES ARE COMMONLY KNOWN AS SHOWN ON
EXHIBIT "C" ATTACHED HERETO.

Subject to: Conditions, restrictions, reservations and easements of record, if any.

Various items of record in the approximate amount of \$5,822,283.09 as set forth
on Exhibit "C" attached hereto. Total purchase price is the

sum of Thirteen Million Three Hundred Sixty-Two Thousand Five Hundred
lawful money of the United States, of which principal sum Seller, by execution of this Agreement acknowledges receipt of FIVE
THOUSAND Dollars (\$5,000.00)

and Buyer in consideration of the premises, premises and agrees to pay to Seller at a place as designated by Seller

the remainder of said principal sum, together with interest less existing liens
date hereof, at the rate of 9-1 per cent per annum, as follows:

as per Exhibit "B" attached hereto.

and continuing until the full amount of principal and interest are paid. The number of years required to complete payment in accordance with the
terms of this agreement are 25

Each of said payments shall be credited, first, on the interest then due and the remainder on said principal sum.

Witness my hand and seal this 22nd day of November, 1969

THIRD PARTY DEFENDANT EXHIBITS:

E376

Buyer and Seller further agree that time is of the essence of this Agreement and that full compliance by Buyer with all its terms is and shall be a condition precedent to Buyer's right to a conveyance hereunder, and should Buyer fail to comply with any of the terms hereof, then the whole unpaid balance of said principal sum and the interest thereon shall immediately become due and payable at the option of Seller; and thereupon Seller may at his option cancel and forfeit all of Buyer's rights under this Agreement and all his interest in said realty and its appurtenances, either by (a) service upon Buyer of a written declaration of default, forfeiture and cancellation, or (b) by depositing in the United States mail, postage prepaid, such written declaration addressed to Buyer either at the post office address Buyer shall have caused to be filed with Seller, or if no such address be so filed, then addressed to Buyer at 342 N. Rodeo Drive, Beverly Hills

and such written declaration when served, mailed ~~XXXXXX~~ shall be conclusive proof in favor of subsequent purchases or encumbrancers in good faith and for a valuable consideration of such default, forfeiture and cancellation. Upon such declaration of default, forfeiture and cancellation by Seller according to any of the methods above provided, all rights, estates and interests hereby created or then existing in favor of Buyer, or anyone claiming under him, shall cease and become null and void and the right of possession and all equitable and legal interests and estates in said realty, with all sums of money theretofore paid by Buyer, shall revert to, vest in and become the sole property of Seller in fee; and the money paid and any improvements erected shall be forfeited to and retained by, and become the sole property of Seller, as consideration for the execution of this Agreement, and also as liquidated damages for Buyer's failure to comply with the terms hereof, and not as a penalty.

Buyer and Seller further agree that no waiver by Seller of any failure of Buyer to comply with any of the terms hereof shall be construed to be a waiver of any subsequent failure of compliance by Buyer with the same or other terms; and that no delay or omission of Seller in exercising any right hereunder shall be construed as a waiver thereof; and that no acceptance by Seller of any payments made in a manner or at a time other than as herein provided shall be construed as a variation of the terms hereof.

Buyer and Seller further agree that in the event Seller cancels and forfeits Buyer's rights hereunder as provided above, Buyer will, at the option and upon demand of Seller, execute in favor of and deliver to Seller a good and sufficient Quit Claim Deed to said realty; and its acceptance by Seller shall operate as a full release of all of Buyer's obligations hereunder.

at a _____ as stated in Exhibit "B" _____ and cause to be
 • Seller agrees to execute and deliver to Buyer a good and sufficient Deed, conveying said realty, and to furnish a Policy of Title Insurance of _____
 recorded in Buyer's favor a good and sufficient Deed, conveying said realty, and to furnish a Policy of Title Insurance of Joint protection issued by a
Reputable Title Company _____, showing title to said realty vested in Buyer, both such Deed and Policy of Title
 Insurance to be and show subject only to encumbrances herein mentioned and to such other encumbrances as are not caused or created by
 Seller.

It is further agreed as follows:

- 1) This transaction is subject to Buyer's approval of Preliminary Title Report and CC&R'S of Record on each property.
- 2) This transaction is subject to Buyer and Seller executing a NNN Lease on subject premises per the terms and Conditions of Exhibit D attached hereto and made a part hereof.

XXXXXX
 XXXXXXXX
 XXXXXXXX

- 3* ~~XX~~ That this Agreement shall apply to and be binding upon the respective successors in interest of Buyer and Seller.
- 4) ~~XX~~ That the terms Buyer and/or Seller wherever used in this Agreement shall include the plural as well as the singular number, and the masculine gender includes the feminine as well as the neuter. Furthermore, that said terms shall include respective successors in interest.
- 5) ~~XXX~~ That no sale, transfer or assignment of any right or interest herein by Buyer shall be valid nor be binding upon Seller for any purpose without Seller's written consent thereto first having been obtained.

IN WITNESS WHEREOF, Seller and Buyer have on the day and year first above written, set their hands and seals.

THE FIRESTONE GROUP LTD.

By: Richard M. Firestone

Richard M. Firestone
 President

Address 3, 2 North Rodeo Drive
Beverly Hills, (Buyer) California

MONTERY NURSING INNS

By: E. J. Hamilton

E. J. Hamilton
 President

1375 S. Hamilton Road
Columbus, (Seller) Ohio

E378

ASSIGNEE'S ACCEPTANCE

The undersigned assignee named in the Assignment of the foregoing Agreement, hereby approves, accepts and agrees to perform the same subject to all the terms, covenants and conditions thereof.

all _____ right, title and interest in and to the
within Agreement and in and to the property therein described.

Address**SELLER'S CONSENT**

The undersigned, seller of the real estate described in the within Assignment, hereby consents to the within Assignment, without warranty express or implied, as to the sufficiency thereof, as to the interest, if any; assigned thereby, or as to the existence or nonexistence of any prior Assignment, lien, encumbrance or other disposition of said Agreement or real property not endorsed thereon.

(Seller)

AGREEMENT FOR SALE
OF REAL ESTATE

DO NOT RECOR

This standard form covers most real problems in the field indicated. Select the right one, read it, fill in all blanks and make changes proper to your transaction. Consult a lawyer if you doubt the firm's fitness for your purpose.

[illegible]

PAYMENTS

PURCHASE PRICE:

\$13,362,500 to be paid as follows:

\$ 5,000 upon execution of this agreement
\$ 25,000 on or before December 20, 1969
\$ 3,970,000 on or before January 30, 1970.
\$ 4,000,000

\$5,822,283.09 in favor of various institutional lenders.

\$3,540,216.91 (or the difference between \$9,362,500 and trust deeds now of record in the event said trust deeds are more or less than \$5,822,283.09 at time option is exercised.

The obligation of \$3,540,216.91 shall bear interest at the rate of 9 $\frac{1}{4}$ % per annum, and shall be payable in equal monthly installments of principal and interest in an amount that will fully amortize this contract over its 25 year term.

Buyer reserves the right at any time after 1/30/70 or upon payment of the \$3,970,000 cash down payment as required herein to convert this contract of sale to a conventional sale at which time Title shall pass to Buyer, subject to the existing mortgages of record and the balance of this contractual obligation shall be converted to a mortgage and note. Seller shall execute his grant deed in favor of buyer and buyer shall execute his note and mortgage in favor of seller.

At time of conversion of this contract, Seller shall furnish or cause to be furnished Beneficiary Statements on all liens of record. The contractual obligation being created herein shall be adjusted accordingly to reflect such balances of the existing liens in the property and the remainder of the purchase price equal to \$9,362,500 less the then balance as shown by Beneficiary Statements shall be payable as per the terms and conditions set forth above.

Said documents shall be recorded and concurrently therewith Seller shall cause, at his expense, a joint protection policy of Title Insurance to be issued in Buyer's favor by a Title Company acceptable to Buyer.



TRACT	PURCHASE PRICE	CASH	APPROXIMATE	APPROXIMATE PURCHASE
			FIRST MORTGAGE BALANCE	MONEY SECOND MORTGAGE BALANCES 9 1/4% - 25 Years
Park	\$ 400,000	\$ 120,000	\$ 221,724.67	\$ 58,275.33
#1	320,000	96,000	71,973.09	152,026.91
#2	360,000	108,000	64,248.99	187,751.01
ress	282,000	84,600	126,375.91	71,024.09
	245,000	73,500	71,973.09	99,526.91
	1,170,000	351,000	141,193.60	677,806.40
springs	1,300,000	390,000	272,444.74	637,555.26
onwood Manor	390,000	117,000	194,852.97	78,147.03
on Manor	455,000	136,500	231,119.26	87,380.74
ietta)				
derick)				
ceer)	1,846,000	553,800	1,168,158.71	124,041.29
mark)				
rgreen)				
ern Manor	942,500	282,750	251,580.72	408,169.28
-Aire	3,200,000	960,000	1,434,597.34	805,402.66
tview	283,500	85,050	195,280.00	3,170.00
hville	413,500	124,050	232,137.00	57,313.00
dy	290,000	87,000	168,663.00	34,337.00
mersville	342,000	82,600	257,836.00	1,564.00
shore	290,000	87,000	170,178.00	32,822.00
ona	275,000	25,500	247,946.00	1,554.00
lor-Wichita Falls	558,000	235,650	300,000.00	22,350.00
TOTALS	<u>\$13,362,500</u>	<u>\$4,000,000</u>	<u>\$5,822,283.09</u>	<u>\$3,540,216.91</u>

EXHIBIT "C"

AGREEMENT FOR SALE OF REAL ESTATE

THIS AGREEMENT, made in duplicate this 26th day of November

between THE FIRESTONE GROUP, LTD., a Delaware Corporation

and CONTINENTAL RECREATION COMPANY, LTD.

herein called Seller,
herein called Buyer.

WITNESSETH: that Seller, in consideration of the covenants and agreements of Buyer herein contained, agrees to sell and convey unto Buyer and Buyer agrees to buy the real property situated in various counties and states as per Exhibit

"A" attached hereto and made a part hereof

County of _____

State of California, hereinafter referred to as "said realty" as described as follows:

SUBJECT PROPERTIES ARE COMMONLY KNOWN AS SHOWN ON

EXHIBIT "C" ATTACHED HERETO.

Subject to: Conditions, restrictions, reservations and easements of record, if any.

Various liens of record in the approximate amount of \$9,362,500.00 as set

forth on Exhibit "C" attached hereto. Total purchase price is the

Thousand

~~sum of~~ Fifteen Million Three Hundred Ninety-Three Dollars (\$ 15,393,000).

lawful money of the United States, of which principal sum Seller, by execution of this Agreement acknowledges receipt of Twenty-Five

Thousand Dollars (\$ 25,000.00)

and Buyer in consideration of the premises, promises and agrees to pay to Seller at a place as designated by Seller.

less existing liens

the remainder of said principal sum/ together with interest ~~on the balance~~ from

date hereof. _____ at the rate of 8.5 per cent per annum, as follows:

as per Exhibit "B" attached hereto:

and continuing until the full amount of principal and interest are paid. The number of years required to complete payment in accordance with the terms of this agreement are 10

years months

Each of said payments shall be credited, first, on the interest then due and the remainder on said principal sum.

~~XXXXXXXXXX~~

~~XXXXXXXXXX~~

- 3) That this Agreement shall apply to and be binding upon the respective successors in interest of Buyer and Seller.
- 4) That the terms Buyer and/or Seller wherever used in this Agreement shall include the plural as well as the singular number, and the masculine gender includes the feminine as well as the neuter. Furthermore, that said terms shall include respective successors in interest.
- 5) That no sale, transfer or assignment of any right or interest herein by Buyer shall be valid nor be binding upon Seller for any purpose without Seller's written consent thereto first having been obtained.

IN WITNESS WHEREOF, Seller and Buyer have, on the day and year first above written, set their hands and seals.

THE FIRESTONE GROUP, LTD.

CONTINENTAL RECREATION COMPANY LTD.

BY: Richard M. Firestone

Richard M. Firestone

President

342 North Rodeo Drive
Beverly Hills, California

(Seller)

Address

641 N. Sepulveda

Los Angeles, California

90049.

PURCHASE PRICE:

\$15,393,000 to be paid as follows:

\$ 25,000 upon execution of this agreement.

\$ 25,000 on or before January 2, 1970

\$ 4,965,250 on or before January 30, 1970.

\$ 5,015,250

\$ 9,362,500 in favor of various lenders.

\$ 1,015,250

The obligation of \$1,015,250 shall bear interest at the rate of $8\frac{1}{2}\%$ per annum, maturing in 10 years and shall be payable in equal monthly installments of principal and interest in an amount that will fully amortize this contract over a 25 year period.

Buyer reserves the right at any time after 1/30/70 or upon payment of \$5,015,250 cash down payment as required herein to convert this contract of sale to a conventional sale at which time title shall pass to Buyer, subject to the existing mortgages of record and the balance of this contractual obligation shall be converted to a mortgage and note. Seller shall execute his grant deed in favor of Buyer and Buyer shall execute his note and mortgage in favor of Seller.

Said documents shall be recorded and concurrently therewith Seller shall cause, at his expense, a joint protection policy of title insurance to be issued in Buyer's favor by a title company acceptable to Buyer.

It is agreed between the parties that 1,719 beds are being purchased for the sum of \$7,000 a bed and 160 beds for the sum of \$21,000 a bed.

EXHIBIT "C"

E385

<u>PROJECT</u>	<u>BEDS</u>
2200 Park	34
Taylor #1	52
Taylor #2	60
Childress	60
Altus	56
Plato	180
Big Springs	200
Cottonwood Manor	60
Horizon Manor	70
(Henrietta)	
(Frederick)	
(Pioneer	284
(Hallmark)	
(Evergreen)	
Southern Manor	145
Bell-Aire	160
Westview	59
Ashville	79
Brady	60
Farmersville	68
Bayshore	60
Altoona	50
Taylor-Wichita Falls	92
TOTAL BEDS	1,879

Purchase Price	\$15,393,000
Cash	5,015,250
Liens of Record	9,362,500
Contractual Obligation	1,015,250

Page Two

2 December 1969

Continental Recreation has a net worth of over \$100,000. It holds some miniature golf courses plus other assets.

Ruderian's pattern of operations is to buy and resell prior to final payment on his sales contracts. To our knowledge, he has consummated hundreds of such transactions over the years. I personally saw a file containing 50 trusts created by such transactions at the First National Bank in Ontario.

I suggest you speak to Ruderian for any additional information you might want on the transactions. His phone number is 476-1251.

Arnold, this man and his companies are very valued contacts..... so if you speak to him please handle him with kid gloves we don't want to lose him for future transactions.

RMF:cs

EXHIBIT A-4 - BALANCE SHEETS FROM DECEMBER 26, 1968 E388 /
TO NOVEMBER 30, 1969

Third Party
Dependents
Exhibit A-4
10/16/73

Third Party

Deft. Exh. For ID 21

PH. Exh. In EV

Walter Shapiro CSR

Doyle Reporting Inc.

8-30-73

THE FIRESTONE GROUP, LTD, AND SUBSIDIARIES
FROM DATE OF INCEPTION ON DECEMBER 26, 1968 TO NOVEMBER 30, 1969

Withdrawn &
Superseded

LAVENTHOL BERKESTEIN HORWATH & HORWATH

CERTIFIED PUBLIC ACCOUNTANTS

LAVENTHOL KREKSTEIN HORWATH & HORWATH

E389

CERTIFIED PUBLIC ACCOUNTANTS

3700 WILSHIRE BOULEVARD
LOS ANGELES, CALIF. 90005
(213) 381-5393

OFFICES THROUGHOUT THE WORLD

Board of Directors
The Firestone Group, Ltd.
Beverly Hills, California

We have examined the consolidated balance sheet of The Firestone Group, Ltd. and its wholly owned subsidiaries as at November 30, 1969 and the related consolidated statement of income and retained earnings from date of inception on December 26, 1968 to November 30, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related consolidated statement of income and retained earnings present fairly the financial position of The Firestone Group, Ltd. and its wholly owned subsidiaries as at November 30, 1969 and the results of its operations from date of inception on December 26, 1968 to November 30, 1969, in conformity with generally accepted accounting principles.

Laventhol Krekstein Horwath & Horwath
Certified Public Accountants *Horwath*

December 6, 1969

William & ...

2

THE FIRESTONE GROUP, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET - NOVEMBER 30, 1969

ASSETS

Assets:

restricted (Note 2)
ent portion of notes receivable (Note 3)
reivable on land contract (Note 4; \$4,990,250
in January 1970 and \$1,015,250 to be represented by
at deed note)
as unrealized gross profit
site on purchase agreements
held for sale (encumbered)
aid expenses
lies inventory

Total current assets

erm notes receivable (Note 3)
current portion of note receivable

ty and equipment, at cost:
ments
ehold improvements

accumulated depreciation (straight-line method)

Assets:

red charges (Note 5)
red income taxes (Note 6)
fr- affiliated companies
restricted (Note 2)

\$ 41,686
233,501
65,000

\$ 6,005,500
1,795,500

4,210,000
185,743
389,567
365,240
20,000

5,510,737

6,739,607
65,000

6,674,607

84,825
1,047
85,872
6,926

78,946

875,418
98,674
96,073
57,997
30,116

1,158,278

\$ 13,422,568

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Notes payable, banks
Contract payable (Note 4)
Accounts payable
Payroll taxes payable
Income taxes payable

\$ 932,000
3,995,000
624,322
51,324
335,437

Total current liabilities

5,938,033

Long-term notes payable (Note 3)

5,761,768

Deferred income (Note 7)

\$ 2,834,133

Less unrealized gross profit (shown as
reduction of related receivable; Note 4)

1,795,500

1,038,633

Contingent liabilities and commitments (Notes 8 to 12)

Shareholders' equity:

Preferred stock, par value \$1.00 per share; 2,000,000
shares authorized, none issued
Common stock, par value \$0.10 per share; 10,000,000
shares authorized, 666,666 shares issued and outstanding
(Note 1)
Capital in excess of par value
Retained earnings

66,667
550,501
66,916

684,084

\$ 13,422,568

THE FIRESTONE GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FROM DATE OF INCEPTION ON DECEMBER 26, 1968 TO NOVEMBER 30, 1969

Income:		
Sales		\$ 22,132,607
Cost of sales		<u>19,814,920</u>
Gross profit on sales (before unrealized gross profit)		2,317,687
Unrealized gross profit (Note 4)		<u>1,795,500</u>
Gross profit on sales		522,187
Management fees		240,822
Interest income		<u>218,570</u>
Total income		981,579
Expenses:		
Operating		
Interest	\$ 696,801	
	<u>180,299</u>	<u>877,100</u>
Income before income taxes		104,479
Income taxes:		
Current		136,237
Deferred (Note 6)		<u>(98,674)</u>
Net income		66,916
Retained earnings, beginning		<u>0</u>
Retained earnings, ending		<u>\$ 66,916</u>
Earnings per share		<u>0.10</u>

See notes to financial statements.

THE FIRESTONE GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5392

NOVEMBER 30, 1969

1. The Firestone Group, Ltd. (a Delaware corporation) was incorporated on December 26, 1968. The accompanying financial statements include the accounts of the Company and all of its subsidiaries which are wholly-owned as follows:

- Firestone Development Corporation
- Firestone Equities Corporation
- Firestone Management Corporation
- Firestone Securities Corporation
- Housing Resources, Inc. (see Note 8)

All material intercompany transactions have been eliminated in the accompanying financial statements.

The Company issued 499,999 shares of its common stock for cash at \$1 per share. An additional 166,667 shares were issued for an assignment to The Firestone Group, Ltd. of all of the right, title and interest in three agreements to purchase parcels of real property located in the State of California. These additional shares were valued by the Board of Directors at \$1 per share.

The land purchase agreements, which had no cost basis for income tax purposes, were recorded at \$366,667, consisting of the value of \$166,667 assigned to the common stock exchanged therefor and a liability of \$200,000 for the income taxes which would be payable if the agreements were sold for this amount. The real properties underlying the three agreements were subsequently sold for \$316,000.

2. An attachment of \$30,116 has been filed against the Company's general funds in connection with a suit brought by a former employee. In the opinion of the Company's counsel, the suit is without merit.

Cash held in trust accounts represents interest income received in advance from syndication sales made prior to November 30, 1969. Under the terms of the syndicates' purchase agreements, these funds will become unconditionally available to the Company on January 2, 1970.

3. Long-term notes payable represent encumbrances on properties sold to syndicates on which the Company remains primarily liable. These notes bear interest of from 6.7% to 7.2% per annum. Of the long-term balance due at November 30, 1969 approximately \$4,000,000 is payable in instalments through 1981 and the balance is payable in instalments through 1984.

The long-term notes receivable resulting from sales of properties to syndicates (and on which the Company remains obligated for existing first trust deeds) are collateralized by all inclusive trust deeds. These notes mature fifteen years from date of issuance. Provisions for payment require interest only for ten years and annual principal payments sufficient to amortize the notes through maturity.

THE FIRESTONE GROUP, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

E393

NOVEMBER 30, 1969

The Company retains a profit participation of 10% upon the syndicates' reselling the properties in excess of their cost. In general, profit is defined as gross profit less all monies invested by the syndicates and 6% imputed interest thereon.

4. In November 1969 the Company sold by land contract a group of convalescent hospitals which it had purchased earlier in the month. Under terms of the sale, the total sales price, \$15,393,000 is to be paid by the purchaser's assumption of trust deed liens totaling \$10,377,750 and by cash payments totaling \$5,015,250, payable as follows:

Upon execution of contract (received prior
to November 30, 1969)

On January 2, 1970

On January 30, 1970

\$ 25,000

25,000

4,965,250

\$ 5,015,250

The sales agreement also provides for liquidated damages of \$185,000 if the buyer fails to perform. Because of the circumstances and nature of the transaction, \$1,795,500 of the gross profit thereon will be considered realized when the January 30, 1970 payment is received. This amount represents the excess of the gross profit resulting from the transaction over the total of the liquidated damages and the two \$25,000 cash payments. The unrealized gross profit is shown as a reduction of this related receivable in the consolidated balance sheet.

The contract payable of \$3,995,000 represents the balance of the Company's obligation on the real estate involved in the above transaction. This balance is payable January 30, 1970.

5. Deferred charges represent costs incurred in connection with research studies related to real estate acquisition in process and for future acquisition and educational seminars which will result in future real estate syndications. These costs are being amortized over the periods which management estimates will benefit therefrom. These periods range from 30 to 36 months.
6. The deferred income taxes shown under other assets represents, in the main, taxes currently payable on management fees and interest received in advance which are currently reportable for income tax purposes but which are not included as income in the consolidated income statement.
7. The syndications, to which the Company has sold property, prepay interest for a period of two years and generally prepay non-refundable management fees for a period of three years. One third of the management fees are taken into income when received. The balance of such fees together with the prepaid interest is taken into income in the periods to which they apply.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOVEMBER 30, 1969

8. An employment contract with a key employee of Housing Resource, Inc. provides that he is to receive 10% of the shares of Housing Resources, Inc. Such stock, may subsequently be exchanged for common stock of The Firestone Group, Ltd. The amount of Firestone Group, Ltd. stock issuable therefor will depend upon the book value of the Housing Resources, Inc. stock and the market value of The Firestone Group, Ltd. stock at the time of exchange. At November 30, 1969, the book value of Housing Resources, Inc. capital stock was nominal.

In addition, the employee will receive an option to acquire 2,500 shares of stock in The Firestone Group, Ltd. at \$10 per share.

9. Under the terms of an employment agreement, Mr. Firestone will receive a base annual salary of \$60,000 plus a bonus equal to four-tenths of one percent (.004) of the Company's gross income, the bonus not to exceed an aggregate annual amount of \$40,000. Mr. Scott's employment agreement provides for a base annual salary of \$36,000 plus a bonus equal to twenty-four one hundredths of one percent (.0024) of the gross income of the Company, the bonus not to exceed an aggregate annual amount of \$24,000. Maximum bonus has been paid for the period.
10. On January 23, 1969 the Company adopted a qualified stock option plan under which options to purchase 100,000 shares of the Company's common stock were authorized to be granted to certain employees of the Company at no less than 100% of the fair value at date of grant. As of November 30, 1969 no options had been granted under the plan. No charges will be made to income in connection with the options under the plan.
11. The Company has contracted to purchase for syndication thirteen parcels of real estate, including improved and unimproved properties at a cost of \$37,449,217. These transactions are expected to close in December 1969 through April 1970.
- In December 1969 the Company completed one of the acquisitions at a cost of \$2,951,300. At the same time the property was syndicated for \$3,043,420. In addition, the Company collected thirty-four months interest income in the amount of \$384,978.
- In December 1969 the Company received \$100,000 in cash and subscriptions of approximately \$585,000 toward a required total of \$791,000 in connection with another syndication of approximately \$3,155,000. The cost of the underlying property is \$2,800,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOVEMBER 30, 1969

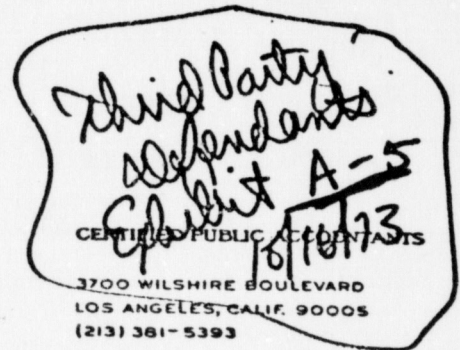
12. On November 13, 1969 the Board of Directors approved an arrangement dated November 10, 1969 with Allen & Company Incorporated for the private placement of up to \$7,500,000 principal amount of 9-1/2% promissory notes of the Company due December 1, 1975 and up to 150,000 shares of the common stock of The Firestone Group, Ltd. to be sold in units of \$250,000 notes and 5,000 shares of common stock at \$1 per share or \$255,000 per unit. The closing date for the placement is December 16, 1969. The Company will realize \$7,450,000 net of fees paid in connection with the placement if the entire issue is placed.

LAVENTHOL KREKSTEIN HORWATH & HORWATH

Third Party
Deft. Exh. For ID 20
Plf. Exh. In EV
Walter Shapiro CSR
Doyle Reporting Inc.

8-30-73

Board of Directors
The Firestone Group, Ltd.
Beverly Hills, California



OFFICES THROUGHOUT THE WORLD

We have examined the consolidated balance sheet of The Firestone Group, Ltd. and its wholly owned subsidiaries as at November 30, 1969 and the related consolidated statement of income and retained earnings from date of inception on December 26, 1968 to November 30, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the collectibility of the balance receivable on the contract of sale (see Note 4 of Notes to Financial Statements), the accompanying consolidated balance sheet and related consolidated statement of income and retained earnings present fairly the financial position of The Firestone Group, Ltd. and its wholly owned subsidiaries as at November 30, 1969 and the results of its operations from date of inception on December 26, 1968 to November 30, 1969, in conformity with generally accepted accounting principles.

Laventhol Krekstein Horwath & Horwath

Certified Public Accountants

December 6, 1969

ASSETS

Current assets:

Cash
Cash restricted (Note 2)
Current portion of notes receivable (Note 3)
Balance receivable on contract of sale ✓
(due in January 1970; Note 4)
Deposits on purchase agreements
Land held for sale (encumbered)
Prepaid expenses
Supplies inventory

Total current assets

Long-term notes receivable (Note 3) ✓
Less current portion

Long-term portion of receivable on contract ✓
of sale (Note 4)

Property and equipment, at cost:
Equipment
Leasehold improvements

Less accumulated depreciation (straight-line method)

Other assets:

Deferred charges (Note 5)
Deferred income taxes (Note 6)
Due from affiliated companies
Other
Cash restricted (Note 2)

THE FIRESTONE GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - NOVEMBER 30, 1969

\$	41,686
	233,501
	65,000
	4,990,250 ✓
	185,743
	389,567
	365,240
	20,000
	6,290,987
\$ 6,739,607	65,000
	6,674,607 ✓
	1,015,250 ✓
	84,825
	1,047
	35,872
	6,926
	78,946
	875,418
	98,674
	96,073
	57,997
	30,116
	1,158,278
\$ 15,218,068	

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Notes payable, banks
Contract payable (Note 4)
Accounts payable
Payroll taxes payable
Income taxes payable

Total current liabilities

Long-term notes payable (Note 3)

Deferred income (Notes 4 and 7)

Contingent liabilities and commitments (Notes 8 to 12)

Shareholders' equity:

Preferred stock, par value \$1.00 per share;
2,000,000 shares authorized, none issued
Common stock, par value \$0.10 per share;
10,000,000 shares authorized, 66,666 shares
issued and outstanding (Note 1)
Capital in excess of par value
Retained earnings

\$ 932,000
3,995,000
624,322
51,324
335,437

5,938,083

5,761,768

2,834,133

\$ 66,667
550,501
66,916

684,084

\$ 15,218,068

See notes to financial statements.

E398

THE FIRESTONE GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FROM DATE OF INCEPTION ON DECEMBER 26, 1968 TO NOVEMBER 30, 1969

Income:		
✓ Sales		\$ 22,132,607 ✓
✓ Cost of sales		<u>19,814,920</u>
✓ Gross profit on sales (before deferred gross profit)		2,317,687
✓ Deferred gross profit (Note 4)		<u>1,795,500</u>
✓ Gross profit on sales		522,187
Management fees		240,822
Interest income		<u>218,570</u>
✓ Total income		981,579
Expenses:		
Operating	\$ 696,801	
Interest	<u>180,299</u>	<u>877,100</u>
✓ Income before income taxes		104,479
Income taxes:		
Current		136,237
Deferred (Note 6)		<u>(98,674)</u>
✓ Net income		66,916 —
Retained earnings, beginning		<u>0</u>
✓ Retained earnings, ending		<u>\$ 66,916</u>
✓ Earnings per share		<u>0.10</u>

See notes to financial statements.

E399

THE FIRESTONE GROUP, LTD. AND SUBSIDIARIES

SCHEDULE OF DEFERRED INCOME

NOVEMBER 30, 1969

Deferred gross profit (Note 4)	\$1,795,500
Prepaid interest (Note 7)	749,397
Prepaid management fee (Note 7)	<u>289,236</u>
	<u>\$2,834,133</u>

See notes to financial statements

THE FIRESTONE GROUP, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E400

NOVEMBER 30, 1969

1. The Firestone Group, Ltd. (a Delaware corporation) was incorporated on December 26, 1968. The accompanying financial statements include the accounts of the Company and all of its subsidiaries which are wholly-owned as follows:

Firestone Development Corporation
Firestone Equities Corporation
Firestone Management Corporation
Firestone Securities Corporation
Housing Resources, Inc. (see Note 8)

All material intercompany transactions have been eliminated in the accompanying financial statements.

The Company issued 499,999 shares of its common stock for cash at \$1 per share. An additional 166,667 shares were issued for an assignment to The Firestone Group, Ltd. of all of the right, title and interest in three agreements to purchase parcels of real property located in the State of California. These additional shares were valued by the Board of Directors at \$1 per share.

The land purchase agreements, which had no cost basis for income tax purposes, were recorded at \$366,667, consisting of the value of \$166,667 assigned to the common stock exchanged therefor and a liability of \$200,000 for the income taxes which would be payable if the agreements were sold for this amount. The real properties underlying the three agreements were subsequently sold for \$316,000.

2. An attachment of \$30,116 has been filed against the Company's general funds in connection with a suit brought by a former employee. In the opinion of the Company's counsel, the suit is without merit.

Cash held in trust accounts represents interest income received in advance from syndication sales made prior to November 30, 1969. Under the terms of the syndicates' purchase agreements, these funds will become unconditionally available to the Company on January 2, 1970.

3. Long-term notes payable represent encumbrances on properties sold to syndicates on which the Company remains primarily liable. These notes bear interest of from 6.7% to 7.2% per annum. Of the long-term balance due at November 30, 1969 approximately \$4,000,000 is payable in instalments through 1981 and the balance is payable in instalments through 1984.

The long-term notes receivable resulting from sales of properties to syndicates (and on which the Company remains obligated for existing first trust deeds) are collateralized by all inclusive trust deeds. These notes mature fifteen years from date of issuance. Provisions for payment require interest only for ten years and annual principal payments sufficient to amortize the notes through maturity.

THE FIRESTONE GROUP, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
NOVEMBER 30, 1969

E401

6. The deferred income taxes shown under other assets represents, in the main, taxes currently payable on management fees and interest received in advance which are currently reportable for income tax purposes but which are not included as income in the consolidated income statement.
7. The syndications, to which the Company has sold property, prepay interest for a period of two years and generally prepay non-refundable management fees for a period of three years. One third of the management fees are taken into income when received. The balance of such fees together with the prepaid interest is taken into income in the periods to which they apply.
8. An employment contract with a key employee of Housing Resources, Inc. provides that he is to receive 10% of the shares of Housing Resources, Inc. Such stock, may subsequently be exchanged for common stock of The Firestone Group, Ltd. The amount of Firestone Group, Ltd. stock issuable therefor will depend upon the book value of the Housing Resources, Inc. stock and the market value of The Firestone Group, Ltd. stock at the time of exchange. At November 30, 1969, the book value of Housing Resources, Inc. capital stock was nominal.
In addition, the employee will receive an option to acquire 2,500 shares of stock in the Firestone Group, Ltd. at \$10 per share.
9. Under the terms of an employment agreement, Mr. Firestone will receive a base annual salary of \$60,000 plus a bonus equal to four-tenths of one percent (.004) of the Company's gross income, the bonus not to exceed an aggregate annual amount of \$40,000. Mr. Scott's employment agreement provides for a base annual salary of \$36,000 plus a bonus equal to twenty-four one hundredths of one percent (.0024) of the gross income of the Company, the bonus not to exceed an aggregate annual amount of \$24,000. Maximum bonus has been paid for the period.
10. On January 23, 1969 the Company adopted a qualified stock option plan under which options to purchase 100,000 shares of the Company's common stock were authorized to be granted to certain employees of the Company at no less than 100% of the fair value at date of grant. As of November 30, 1969 no options had been granted under the plan. No charges will be made to income in connection with the options under the plan.
11. The Company has contracted to purchase for syndication thirteen parcels of real estate, including improved and unimproved properties at a cost of \$37,449,217. These transactions are expected to close in December 1969 through April 1970.
In December 1969 the Company completed one of the acquisitions at a cost of \$2,951,300. At the same time the property was syndicated for \$3,043,420. In addition, the Company collected thirty-four months interest income in the amount of \$384,978.
In December 1969 the Company received \$100,000 in cash and subscriptions of approximately \$585,000 toward a required total of \$791,000 in connection with another syndication of approximately \$3,155,000. The cost of the underlying

THE FIRESTONE GROUP, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

E402

NOVEMBER 30, 1969

12. On November 13, 1969 the Board of Directors approved an arrangement dated November 10, 1969 with Allen & Company Incorporated for the private placement of up to \$7,500,000 principal amount of 9-1/2% promissory notes of the Company due December 1, 1975 and up to 150,000 shares of the common stock of The Firestone Group, Ltd. to be sold in units of \$250,000 notes and 5,000 shares of common stock at \$1 per share or \$255,000 per unit. The closing date for the placement is December 16, 1969. The Company will realize \$7,450,000 net of fees paid in connection with the placement if the entire issue is placed.

EXHIBIT A-6 - AGREEMENT DATED NOVEMBER 26, 1969

E403

3421 Hollywood Blvd.
Beverly Hills, California 90210

Attention: Dick Firestone or
Martin Scott

FROM: Max Ruderman, President
Continental Recreation Company, Ltd.

RE: AGREEMENT OF NOVEMBER 26, 1969 FOR PURCHASE OF
REAL PROPERTY FROM YOUR ORGANIZATION

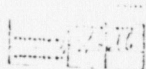
Third Party
Deft. Exh. For JD
~~Pl. Exh. In EV~~
Walter Shapiro CSR
Doyle Reporting Inc.

8-30-73

As to said agreement, you are hereby advised as follows:

1. We have not received a reply to our letter of January 23, 1970 to you concerning this matter.
2. While we have received within the past few days copy of owner's title papers, these are not adequate, current, up-to-date preliminary reports as called for in said agreement.
3. We have not to date received copy of the C.C. and R.'s as to current preliminary also called for in said agreement.
4. We have also not received a copy of the lease that we are taking subject to on the real property as is also provided for in the said agreement.

In view of these points, it is of course impossible for performance of the provisions of the said agreement by the dates called for. It is therefore imperative that a meeting take place to properly adjudicate this matter.



THE FIRESTONE GROUP, LTD.
342 NORTH RIM DRIVE
BEVERLY HILLS, CALIF. 90210

Third Party
Def. Exh. For ID 18
Plf. Exh. In-EV
Walter Shapiro CSR
Doyle Reporting Inc.
8-30-73

[Handwritten signature]

[illegible]

EXHIBIT A-9 - LAVEYTHAL CONSOLIDATED WORK PAPER

4043

Life Insurance group, Ltd, et al
consolidating work sheet

11/20/69

DESCRIPTION	FIRESTONE GROUP LTD.	FIRESTONE MANAGEMENT	FIRESTONE DEVELOPMENT	FIRESTONE EQUITIES	FIRESTONE SECURITIES	HOUSING RESOURCES	EDUCATION	CONSOLIDATED	ADJUSTMENTS	Fail	Bo	100
SALES	2132609									DE	CA	
COST OF SALES	1814920							2132609				2132609
GRAND PROFIT ON SALES	319689							11814920				1214920
INTEREST INCOME - SAVINGS	213153							2317427				2317427
INVESTMENT REVENUE INCOME	22020	24206						213253	0.1776500			1776500
INTEREST EXPENSE	178478							96261				213758
SUB TOTAL								163120	0.144616			210824
DEPRECIATION	125759							125759	0.1024			125759
AMORTIZATION	2435							2435				2435
REPAIRS	109226							109226				109226
DEVELOPMENT	96162							96162				96162
RENT	46215							46215				46215
PROPERTY	295650							295650				295650
MANAGEMENT	210142					20020		210142	0.85442			210142
FINANCIAL	25993				6091			25993	0.1332			25993
OTHER	904702							904702				904702
NET INCOME	2056	1014						2056				2056
NET LOSS	2056							2056				2056
NET INCOME	105472				4702			105472	0.47142			105472
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NET INCOME	105472				4702			105472	0.47142			

11/3.68

E406

with
 balance
 A-10
 10/10/73

LAVENTHAL GROUP LTD

PREPARED BY: [initials]
 APPROVED BY: [initials]

Ex 27 at 201.
 S. Hark 8/31/73

Page 1 of 12

ACCOUNT NUMBER	DESCRIPTION	UNADJUSTED TRIAL AT 12-31-69 DR	CREDITS CR	ADJUSTED TRIAL AT 12-31-69 DR	CREDITS CR	ADJUSTMENTS DR	CREDITS CR	ADJUSTED TRIAL AT 12-31-69 DR	CREDITS CR
101	Petty Cash Fund	212.00		155.00					
102-1001	CASH IN BANK - CITY NAT'L	820.27		4634.73				5120.00	
102-1002	CASH IN BANK - CITY NAT'L	30514.70			51296.12			810.27	
102-1003	CASH IN BANK - UNION BANK	309.00		1309.00				22599.54	
102-1004	CASH IN BANK - FORT WORTH	906.15		906.15				30115.83	
102-1005	CASH IN BANK - IRVING TRUST CO.	533.07						309.20	
102-1006	CASH IN BANK - CITY NAT'L	436.34		500.00				756.15	
103-4001	RECEIVABLES	35000.00		15000.00				532.27	
103-4002	RECEIVABLES	16114.24		13872.21				436.27	
103-4003	RECEIVABLES	6518749.00						35000.00	
103-4004	RECEIVABLES	485533.00		366667.00				1000.00	
103-4005	RECEIVABLES	1047.15		1070.15				2500.00	
103-4006	RECEIVABLES		66.00					30115.83	
103-4007	RECEIVABLES							22599.54	
103-4008	RECEIVABLES							30115.83	
103-4009	RECEIVABLES							309.20	
103-4010	RECEIVABLES							756.15	
103-4011	RECEIVABLES							532.27	
103-4012	RECEIVABLES							436.27	
103-4013	RECEIVABLES							35000.00	
103-4014	RECEIVABLES							1000.00	
103-4015	RECEIVABLES							2500.00	
103-4016	RECEIVABLES							30115.83	
103-4017	RECEIVABLES							22599.54	
103-4018	RECEIVABLES							30115.83	
103-4019	RECEIVABLES							309.20	
103-4020	RECEIVABLES							756.15	
103-4021	RECEIVABLES							532.27	
103-4022	RECEIVABLES							436.27	
103-4023	RECEIVABLES							35000.00	
103-4024	RECEIVABLES							1000.00	
103-4025	RECEIVABLES							2500.00	
103-4026	RECEIVABLES							30115.83	
103-4027	RECEIVABLES							22599.54	
103-4028	RECEIVABLES							30115.83	
103-4029	RECEIVABLES							309.20	
103-4030	RECEIVABLES							756.15	
103-4031	RECEIVABLES							532.27	
103-4032	RECEIVABLES							436.27	
103-4033	RECEIVABLES							35000.00	
103-4034	RECEIVABLES							1000.00	
103-4035	RECEIVABLES							2500.00	
103-4036	RECEIVABLES							30115.83	
103-4037	RECEIVABLES							22599.54	
103-4038	RECEIVABLES							30115.83	
103-4039	RECEIVABLES							309.20	
103-4040	RECEIVABLES							756.15	
103-4041	RECEIVABLES							532.27	
103-4042	RECEIVABLES							436.27	
103-4043	RECEIVABLES							35000.00	
103-4044	RECEIVABLES							1000.00	
103-4045	RECEIVABLES							2500.00	
103-4046	RECEIVABLES							30115.83	
103-4047	RECEIVABLES							22599.54	
103-4048	RECEIVABLES							30115.83	
103-4049	RECEIVABLES							309.20	
103-4050	RECEIVABLES							756.15	
103-4051	RECEIVABLES							532.27	
103-4052	RECEIVABLES							436.27	
103-4053	RECEIVABLES							35000.00	
103-4054	RECEIVABLES							1000.00	
103-4055	RECEIVABLES							2500.00	
103-4056	RECEIVABLES							30115.83	
103-4057	RECEIVABLES							22599.54	
103-4058	RECEIVABLES							30115.83	
103-4059	RECEIVABLES							309.20	
103-4060	RECEIVABLES							756.15	
103-4061	RECEIVABLES							532.27	
103-4062	RECEIVABLES							436.27	
103-4063	RECEIVABLES							35000.00	
103-4064	RECEIVABLES							1000.00	
103-4065	RECEIVABLES							2500.00	
103-4066	RECEIVABLES							30115.83	
103-4067	RECEIVABLES							22599.54	
103-4068	RECEIVABLES							30115.83	
103-4069	RECEIVABLES							309.20	
103-4070	RECEIVABLES							756.15	
103-4071	RECEIVABLES							532.27	
103-4072	RECEIVABLES							436.27	
103-4073	RECEIVABLES							35000.00	
103-4074	RECEIVABLES							1000.00	
103-4075	RECEIVABLES							2500.00	
103-4076	RECEIVABLES							30115.83	
103-4077	RECEIVABLES							22599.54	
103-4078	RECEIVABLES							30115.83	
103-4079	RECEIVABLES							309.20	
103-4080	RECEIVABLES							756.15	
103-4081	RECEIVABLES							532.27	
103-4082	RECEIVABLES							436.27	
103-4083	RECEIVABLES							35000.00	
103-4084	RECEIVABLES							1000.00	
103-4085	RECEIVABLES							2500.00	
103-4086	RECEIVABLES							30115.83	
103-4087	RECEIVABLES							22599.54	
103-4088	RECEIVABLES							30115.83	
103-4089	RECEIVABLES							309.20	
103-4090	RECEIVABLES							756.15	
103-4091	RECEIVABLES							532.27	
103-4092	RECEIVABLES							436.27	
103-4093	RECEIVABLES							35000.00	
103-4094	RECEIVABLES							1000.00	
103-4095	RECEIVABLES							2500.00	
103-4096	RECEIVABLES							30115.83	
103-4097	RECEIVABLES							22599.54	
103-4098	RECEIVABLES							30115.83	
103-4099	RECEIVABLES							309.20	
103-4100	RECEIVABLES							756.15	
103-4101	RECEIVABLES							532.27	
103-4102	RECEIVABLES							436.27	
103-4103	RECEIVABLES							35000.00	
103-4104	RECEIVABLES							1000.00	
103-4105	RECEIVABLES							2500.00	
103-4106	RECEIVABLES							30115.83	
103-4107	RECEIVABLES							22599.54	
103-4108	RECEIVABLES							30115.83	
103-4109	RECEIVABLES							309.20	
103-4110	RECEIVABLES							756.15	
103-4111	RECEIVABLES							532.27	
103-4112	RECEIVABLES							436.27	
103-4113	RECEIVABLES							35000.00	
103-4114	RECEIVABLES							1000.00	
103-4115	RECEIVABLES							2500.00	
103-4116	RECEIVABLES							30115.83	
103-4117	RECEIVABLES							22599.54	
103-4118	RECEIVABLES							30115.83	
103-4119	RECEIVABLES							309.20	
103-4120	RECEIVABLES							756.15	
103-4121	RECEIVABLES							532.27	
103-4122	RECEIVABLES							436.27	
103-4123	RECEIVABLES							35000.00	
103-4124	RECEIVABLES							1000.00	
103-4125	RECEIVABLES							2500.00	
103-4126	RECEIVABLES							30115.83	
103-4127	RECEIVABLES							22599.54	
103-4128	RECEIVABLES							30115.83	
103-4129	RECEIVABLES							309.20	
103-4130	RECEIVABLES							756.15	
103-4131	RECEIVABLES							532.27	
103-4132	RECEIVABLES							436.27	
103-4133	RECEIVABLES							35000.00	
103-4134	RECEIVABLES							1000.00	
103-4135	RECEIVABLES							2500.00	
103-4136	RECEIVABLES							30115.83	
103-4137	RECEIVABLES							22599.54	
103-4138	RECEIVABLES							30115.83	
103-4139	RECEIVABLES								

11/29/68

E408

11/27/65

E409

The Falsone Group, Ltd.

1/30/61
4 of 12

			UNADJUSTED Trial Balance AT 11-30-69					
			Dr	Cr				
Summary	PAGES	1 thru 3:						
	PAGE	1						
	PAGE	2						
	PAGE	3						
NET LOSS			7886263.75	138300				
			31444738	827751				
			240952	906622514				
			8203221.01	907660775				
				822322105				
				87398670				

Price 5.00/12

COUNT	UNEXP.	DESCRIPTION	TRIAL RT II- DR	BALANCE 30-69 (11-m) CR	TRIAL RT DR	ADJUSTMENTS DR	ADJUSTMENTS CR	TOTAL RT II- DR	BALANCE 30-69 (11-m) CR
2-0003	0007	OTHER INCOME - Interest Income		7824363					
01-0003		INTEREST INCOME		316396.26					
01-0003		GAIN ON SALE OF T.A.		55241.00					
01-0003		LOSS ON SALE OF INVE.	55125.00						
01-0152		Management fees income							
01-0152		Administrative salaries	95704.00		25791.35				
01-0152		Acquisition dep't. expenses							
01-0154		PAYROLL TAXES	1811.00		1535.67				
01-0138		ADVERTISING EMPLOYMENT	116.22						
01-0139		ADVERTISING & PUBLIC RELATIONS	265.95		20.20				
01-0147		BUSINESS GIFTS & PROMOTIONS	355.31						
01-0149		CLERICAL SERVICES OUTSIDE	481.11		4500.00				
01-0150		COMMISSIONS	636.07						
01-0153		DUES, SUBSCRIPTIONS & PUBLIC	3450.34		1315.64				
01-0154		INSURANCE	542.50						
01-0156		OFFICE EQUIPMENT RENTAL	891.38		219.25				
01-0157		LEGAL EXPENSES	4758.92						
01-0158		MAINTENANCE & REPAIR - GENERAL	217.91		174.65				
01-0159		MAINT. & REPAIR - OFFICE EQUIP	6276.00		141.16				
01-0161		MAPS - SURVEY	795.41						
01-0162		PARKING	586.77		82.40				
01-0164		RENT	1452.10		705.00				
01-0165		STATIONERY & PRINTING	114.20		54.6				
01-0166		TAXES & LICENSES	169.12		50.00				
01-0167		TELEPHONE	5572.67		1746.62				
01-0168		TRAVEL & ENTERTAINMENT	19750.92		3786.39				
			124,983.55	447850.99					

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11/30/69

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4/30/69

ACCOUNT NUMBER	DESCRIPTION	UNADJUSTED TRIAL BALANCE AT 11-30-68 DR	UNADJUSTED TRIAL BALANCE AT 11-30-68 CR	ADJUSTMENTS DR	ADJUSTMENTS CR	ADJUSTED TRIAL BALANCE AT 11-30-68 DR	ADJUSTED TRIAL BALANCE AT 11-30-68 CR
01-0360	MAINT. REPAIRS - APT						
0361	MAPS & SURVEY						
0362	PARKING	315					
0363	POSTAGE	610.20					
0364	RENT (incl. SEMINARS)	28,227.50					
0365	STATIONERY, PRINTING & SUPPLIES	71,622.67					
0366	SUPERVISION - SEMINARS	27,179.77					
0367	TELEPHONE	1,600.00					
0368	TRAVEL & ENTERTAINMENT	75,767.32					
0369	OTHER OFFICE EXPENSES	10,082.10					
0370	MESSANGER & DELIVERY	40,973.87					
0371	DUES & FEES	1076.91					
0372	SEMINAR EQUIPMENT RENTAL	11,325.71					
0373	PROFESSIONAL SERVICES (RESEARCH)	14,575.50					
0374	MISCELLANEOUS	4,975.63					
0375	LECTURE FEES	6,540.46					
0376	TAX INTERVIEWS	264.67					
0377	NEWS LETTER & RADIO PUBLICATION	12,011.46					
0378	CENSUS TRACT INFORMATION	6,325.32					
0379	ADDRESSING & MAILING SERVICES	2,921.07					
0380	ADMINISTRATIVE SALARIES	237.25					
0381	OFFICE EXPENSES	19,647.97					
0382	PROPERTY TAXES	176.57					
0383	ADVERTISING - EMPLOYMENT	6,321.71					
0384	ADVERTISING - PUBLIC RELATIONS	786.20					
0385	AUTO EXPENSE	93.10					
0386	BANK CHARGES	1,666.32					
0387	PROMOTIONAL GIFTS & PROMOTIONAL SERVICES	6.00					
0388		10.00					
0389		50.30					
0390		787.50					
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11/30/68

[illegible]

THE FIRSTONE GROUP LTD

PREPARED BY *Julia 1/18*
APPROVED BY

PRICE 9 1/2 11/30/69

COUNT NUMBER	DESCRIPTION	TRIAL AT 11-30-69 DR	CREDITED BALANCE CR	TRIAL AT 12-31-69 DR	CREDITED BALANCE CR	ADJUSTMENTS DR	ADJUSTMENTS CR	TRIAL AT 12-31-69 DR	CREDITED BALANCE CR
4039	ADVERTISING - PUBLICATIONS	106.33		15.90		⑤		106.33	
4043	AUDIT - ACCOUNTING	6182.50		6182.50		⑤		6182.50	
4044	AUTO EXPENSE	72.81		21.21		⑤	425.00 500.00	72.81	
4047	BUSINESS GIFTS & PROMOTION	3246.21		230.77				3246.21	
4048	CLEANING & MAINTENANCE	415.50		89.00				415.50	
4049	CLERICAL SERVICES	1315.50		750.00				1315.50	
4049	AMERTIZATION - ORG. COST	549.00		549.00				549.00	
4050	COMMISSIONS	8601.63						8601.63	
4051	CONTRIBUTIONS	100.00						100.00	
4053	DIRS. STAFF & PUBLICATIONS	2472.87		1721.24				2472.87	
4052	DEPRECIATION EXPENSE	805.00		805.00				805.00	
4054	INSURANCE	750.65		21.56				750.65	
4055	INTEREST	22.90		22.90				22.90	
4056	OFFICE EQUIPMENT RENTAL	144.15						144.15	
4057	LEGAL EXPENSE	55674.12		15579.17				55674.12	
4058	MAINT. & REPAIRS	247.48		247.48				247.48	
4059	MAINT. & REPAIRS - OFFICE EQUIP	18.00						18.00	
4062	PARKING	533.31		102.35				533.31	
4061	PHONE - CARRY	582.75		381.35				582.75	
4063	POSTAGE	411.71						411.71	
4064	RENT	700.00		300.00				700.00	
4065	STATIONERY PRINTING & SUPPLIES	20425.71		821.50				20425.71	
4066	TAXES & LICENSES	1000.00						1000.00	
4067	TELEPHONE	2305.51		452.72				2305.51	
4068	TRAVEL	17011.03		4077.37				17011.03	
4069	OTHER OFFICE EXPENSE	119.75		22.46				119.75	
4070	MESSENGER & DELIVERY	247.73		29.65				247.73	
4072	PROFESSIONAL SERVICES	35531.35		24774.00				35531.35	
		160406.75						160406.75	

E415

11/22/69

PAGE 10 12

OUNT NUMBER	DESCRIPTION	UNADJUSTED		ADJUSTED		ADJUSTMENTS	ADJUSTMENTS		BALANCE	
		TRIAL AT 11-30-69 DR CR	BALANCE AT 11-30-69 DR CR	TRIAL AT 11-30-69 DR CR	BALANCE AT 11-30-69 DR CR		DR	CR	TRIAL AT 11-30-69 DR CR	BALANCE AT 11-30-69 DR CR
4073	MISCELLANEOUS	894.00								
4074	RESEARCH & DEVELOPMENT	23.08		2090.00						
4095	ENTERTAINMENT & PROMOTION	902.11								
4097	AMORTIZATION EXPENSE - LEASEHOLD									
4096	DUPLICATE COPIES (INCL. COMM. / AGENCIES)	2150.00								
4098	AMORTIZATION EXPENSE - DECAT. COST									
4099	DEPRECIATION EXPENSE									
4099	ADMIN. DEPT.									
5052	ADMINISTRATIVE SALARIES	75842.33		17756.75						
5056	GROUP INSURANCE	1915.60								
5054	PAYROLL TAXES	3084.56		1474.25						
5054	DEPT. EXP.									
5058	ADVERTISING - CONTRACT	129.19		76.92						
5058	ADVERTISING - PERM. MATERIALS	208.00								
5058	PRINT & REPRODUCTION	4505.40		1787.50						
5058	ADMIN. FEE									
5054	AUTO EXPENSE	151.08		96.08						
5056	BANK CHARGES	270.79		48.62						
5057	BUSINESS TRIPS & PROMOTION	287.61								
5059	CELLULAR PHONE & SERVICE	3725.78		1308.25						
5051	CONTRIBUTIONS	2032.50		2012.50						
5053	FIELD TRIP & RECEPTIONS	315.51		328.00						
5054	INSURANCE	11273.81		886.33						
5055	INTEREST	3727.22								
5056	OFFICE EQUIPMENT & SUPPLIES	2148.42		1010.03						
5057	LEGAL EXPENSE	6066.20		254.50						
5058	MAINTENANCE & REPAIR	5024.22		1656.31						
5059	PAINT & REPAIRS - OFFICE	2388.41		682.31						
5062	PRINTING	1332.10		377.75						
5063	POSTAGE	7413.46		1156.15						
		125765.38		34702.91						

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EXHIBIT A-11 - ADDITIONAL ADJUSTING ENTRIES

E418

Third Party Defendants
Exhibit A-11
10/16/73

3/13/73 11/12/74 10/22/75
TPA's EA 2/1/76
8/31/72

PREPARED BY	INITIALS	DATE
W. J. J.		11/5/69
APPROVED BY		

Adjusting Entries

11/20/69

				LINE NO.
(A) Group				
Profit on sale		17955.00		1
Defer income on sale			17955.00	2
Defer portion of profit on sale				3
Less: portion of profit on sale	22500			4
Less: portion of profit on sale	25000			5
Less: portion of profit on sale	25000			6
Less: portion of profit on sale	25000			7
Less: portion of profit on sale	25000			8
Less: portion of profit on sale	25000			9
Less: portion of profit on sale	25000			10
Less: portion of profit on sale	25000			11
Less: portion of profit on sale	25000			12
Less: portion of profit on sale	25000			13
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Less: portion of profit on sale	25000			26
Less: portion of profit on sale	25000			27
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Less: portion of profit on sale	25000			32
Less: portion of profit on sale	25000			33
Less: portion of profit on sale	25000			34
Less: portion of profit on sale	25000			35
Less: portion of profit on sale	25000			36
Less: portion of profit on sale	25000			37
Less: portion of profit on sale	25000			38
Less: portion of profit on sale	25000			39
Less: portion of profit on sale	25000			40

E419

PREPARED BY	11/20/59
APPROVED BY	

The Trustee's Summary
Additional Adjusting Entries

11/20/59

(1)	(2)	(3)	(4)	(5)	(6)	(7)	LINE NO.
(G) Group							
Deferred costs					99214		1
Other seminar costs						99214	2
Defer costs. Based on method previously							3
Costs		109226					4
Amortization for life cost		10012					5
		99214					6
(H) Group							
Deferred costs					85247		10
Executive costs, office 1/2						76747	11
Travel						8500	12
Defer costs to future operations							13
(I) Group							
Land held for sale					10346		16
Drill site expense, applications						10346	17
Capital interest for Trustee's portion							18
of interest in land							19
(J) Group							
Capital in excess of par					42498		22
for reclassification costs						42498	23
Reclassifying income 71 4, 7, 20, 40, 47							24
(K) Group							
Capital in excess of par					23535		27
income for payable						23535	28
Reclassifying income 21 47							29
(L) Group							
Deferred income taxes					694262		32
Income taxes						651329	33
"						42939	34
To adjust							35
(M) Group							
Deferred income taxes					62614		38
Income taxes						62614	39

E421

8/31/73 J. Law

உயர்நீதிமன்றம், சென்னை - மதுரை - கரகாலம் - கரகாலம் - கரகாலம்

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	INITIALS	DATE
PREPARED BY		
APPROVED BY		

1. A-13
16/6/13

The Friction Group, and
defendants

11/20/69

[illegible]

EXHIBIT A-14 - LETTER FROM MORRIS SCHWALB TO CHESTER WADLEY E422
DATED DECEMBER 18, 1969

LAVENTHOL KREKSTEIN HORWATH & HORWATH

CERTIFIED PUBLIC ACCOUNTANTS

3700 WILSHIRE BOULEVARD
LOS ANGELES, CALIF. 90005
(213) 381-5393

OFFICES THROUGHOUT THE WORLD

December 18, 1969

Mr. Chester Wadley
The Firestone Group, Ltd.
342 North Rodeo
Beverly Hills, California

Dear Chet:

Enclosed are the journal entries which we generated for the financial statements at November 30. They are broken down into the various entities, with exception. After our initial completion of the worksheet, various corrections were necessary. These entries are attached to the back of the Firestone Group and are lettered. You will note that each entry has the particular entity involved. Therefore, please post these entries to the necessary books. Some of the entries are marked reverse 12-1.

In addition to the above entries, previously we had furnished you with the necessary entries to close the books at April 30. Since we have just about completed the tax returns, it is a must that the books be closed in accordance with those entries.

If you have any questions, please do not hesitate to call.

Very truly yours,

LAVENTHOL KREKSTEIN HORWATH & HORWATH

Mary
Morris A. Schwalb

MAS:kh

Enclosures

EXHIBIT A-16 NOTES

E423

3/13/73

Phys 4 13 for rev 25

Party 10/16/73
Ex A-16

INITIALS	DATE
PREPARED BY 7/1/73	
APPROVED BY	

The Firestone Group Ltd
note

12/20/67

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	LINE NO.
								1
								2
							200000	3
								4
							572108	5
								6
							772108	7
								8
							2030000	9
							1257892	10
								11
								12
								13
								14
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								23
								24
								25
								26
								27
								28
								29
								30
								31

no ad loss 4 months ended 1/30/69

no ad loss 3 months ended 11/30/69

before sale to Continental Recreation

on sale to Continental Recreation
before income tax

EXHIBIT A-17 - BALANCE SHEET

THE FIRESTONE GROUP, LTD.

E424

PREPARED BY

APPROVED BY

ON GROSS INCOME

11/30/69

(2)	(3)	(4)	(5)	(6)	(7)
		SYNDICATION	RICHARD		MARTIN
		FINES, INCOME	FIRESTONE		SCOTT
			(A)		(B)
RANCHO HUEVO CREMA	2150407	860163	-	516096	1
RANCHO PARQUE BORO	4589200	1835680		1101408	2
TEREY NURSING HOMES, INC.	15393000	1304157		782494	3
		(3737839)		(1820702)	4
bonus Limit	22122007	4000000		2400000	5
available balance 11/30/69 before					6
reduction of RANCHO HUEVO CREMA					7
bonus		4377207		3072956	8
balance		377207		672956	9
compensation of officers (bonus)					10
RICHARD M. FIRESTONE				4000000	11
MARTIN A. SCOTT				2400000	12
TOTAL				6400000	13
computation					14
of a gross income to \$10 million					15
✓ ✓ ✓ ✓ ✓					16
					17
					18
					19
					20
					21
					22
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					24
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					31
					32
					33
					34
					35
					36
					37
					38
					39
					40

EXHIBIT A-19 - GENERAL JOURNAL

E425

THE FIRESTONE GROUP, LT
General Journal

Journal No.

[illegible]

E426

Journal No. 2

[illegible]

THE FIRESTONE GROUP, LT

E427

General Journal

Date

11/30/69

Journal No.

3

Details	③	Acct No.	Debit	Credit
Sale of Land		782-0009	106302.—	
Investment in Land		201-0002		106302.—
To adjust land account to reflect 8.12% Interest in Banco Paraguai		2020		
Per books	485523			
o/r	379221			
	<u>106302</u>			
Attach supporting schedule		TOTALS	106,302.00	106,302.00

E428

Journal No. 24

[illegible]

THE FIRESTONE GROUP, LT
General Journal

E429

Date

Journal No. 5

(5) /

organization expenses	512-1001	423500	
from Medical Service Fund of America	153-0009	100000	
Legal expenses	801-4051		52350
Capitalize legal fees paid for incorporation			
ck # 4063 2/11/69	250000	R. R. Frank	
ck # 4641 4/25/69	273500	T. K. & Kallman	
	<u>523500</u>		

(6)

SEC Registration Costs		1250000	
Legal expenses	801-4051		17500
Redesign legal fees paid to J. P. Parker for SEC registration			
ck # 5459 8/26/69			

(7)

SEC registration costs		452904	
Professional service	801-4092		45290
Redesign SEC registration expenses paid to C. C. & Lorn			
ck 5431 9/24/69			

(8)

Contract		26310300	
Notes Payable			263103
record notes payable on Korocho Regue			
as the notes are not trust deeds for first mortgage interest on the 1st trust deeds			

(9)

Legal Expenses	801-0555	11255300	
----------------	----------	----------	--

THE FIRESTONE GROUP, LT
General Journal

E430

Date _____

Journal No. 6

Details	Acct No.	Debit	Credit
	(10)		
MACHINE RENTAL	5056	1759.30	
Office EQUIPMENT		2184.55	
Contracts Payable			3443.85
to ADJUST office equipment account			
	(11)		
Depreciation Expense		5003.19	
Accumulated Depreciation			5003.19
to record DEPR ON EXISTING F.A			
	(12)		
Depreciation Expense		174.94	
Accumulated Depreciation			174.94
to record DEPR ON OLD ASSETS			
	(13)		
Accumulated Depreciation /		222.87	
Office Equipment		8.50	
GAIN ON SALE OF Fixed Assets			231.37
to record gain on SALE OF F.A			
	(14)		
Amortization of Leasehold Improv		154.00	
Accumulated Amort on Above			154.00
to record amort of LI for PERIOD			
	(15)		
Amortization of Organizational Costs		1737.24	
Accumulated Amort on Above			1737.24
to record amort of O.C for PERIOD			
Attach supporting schedules	TOTALS	10,744.59	10,744.59

THE FIRESTONE GROUP, LTD.
General Journal

E431

Date 11/30/69

Journal No. 7

Details	Acct No.	Debit	Credit
	(16)		
Insurance Expense		37.00	
Accum Amort of Organ Costs			37.00
To rectify entry made in error			
	(17)		
DEFERRED INTEREST INCOME	612	62,868.88	
INTEREST INCOME	801-0003		62,868.88
TO ADJUST THE DEFERRED INTEREST INCOME TO ACTUAL AT 11/30/69			
	(18)		
Syndication cost - H. Cerna	512-3000	5,500.00	
Legal	801-0151		1,000.00
Accounting	801-4043		500.00
Travel & entertainment	801-0168		1,000.00
Adjust receivables on Huevo Cerna from Frisling Acquisitions Corp. at 11/30/69 per M.S.			
	(19)		
PREPAID INSURANCE	512-1005	1312.14	
INSURANCE EXPENSE	801-5054		1312.14
To set up appropriate PREPAID INSURANCE			
Attach supporting schedules	TOTALS	69,718.02	69,718.02

E432

Journal No. 3

Attach supporting schedules

THE FIRESTONE GROUP, LTD.
General Journal

E433

Date 11/30/69

Journal No. 9

Details	Acct No.	Debit	Credit
(24) Exchange	512-1049	25,000.00	
Contract receivable	154	49,702.50	
note receivable 8 1/2 % 70,000	150	1,253.50	
Escrow Deposits	501-2000		5,000.00
Profit on sale other	782-0010		2,030.50
Contract payable			39,950.00
To record purchase and sale of various hospitals, from nursing Homes Inc to continue to Recreation Company Ltd. 11/1/69			
(25) Reverse 11/1/69			
Cash	102-1002	25,000.00	
Exchange	512-1049		25,000.00
Record deposit 11/26/69			
(26)			
Rental Deposit	501-0000	1,350.00	
Due to The Firestone Group	603-0002		1,350.00
Record rental deposit paid by old Firestone Group to Helen Phillips			
(27)			
REVERSE 12/1/69			
SEC Registration expenses		12,532.42	
Syndication - Cambridge	512-3000	20,000.00	
Unrecorded liabilities			32,532.42
Accrue attorney's fees due to Jacobs, Persinger & Parker see sch. organization cost.			
Attach supporting schedules	TOTALS	6,007,382.42	6,009,302.42

THE FIRESTONE GROUP, LTD.

E434

General Journal

Date 11/30/69Journal No. 10

Details	Acct. No.	Debit	Credit
COMPENSATION OF OFFICERS	801-4033	13,762.61	
COMMISSIONS	801-0150		5,160.98
COMMISSIONS	801-1050		8,601.63
TO RECLASSIFY BONUS DUE R. FIRESTONE & H. SCOTT ON RANCHO HUEVO CERRA SYNDICATION			
	(29)		
COMPENSATION OF OFFICERS	801-4033	50,237.39	
EMPLOYEE REC. - FIRESTONE	513-0900		31,398.37
EMPLOYEE REC. - SCOTT	513-1250		18,839.02
TO RECORD BONUS DUE FIRESTONE & SCOTT ON RANCHO PARQUE BORO & MONTEBEN NURSING HOME SYNDICATIONS			
	(30)		
Amortization of Leasehold	801-4097	89.00	
Cleaning & Maintenance	801-4048		89.00
to correct posting to acct # 801-4048 which was used for both Amort of LT. & Cleaning & Maint.			
	(31)		
COMMISSIONS	801-0150	2,169.80	
OTHER ACCRUED EXPENSES	801-1059		2,169.80
TO ACCRUE COMMISSIONS TO D. AMERSON FOR COMMISSIONS ON SYNDICATIONS PER EMPLOYMENT AGREEMENT			
Attach supporting schedules	TOTALS	66,252.80	66,252.80

E435

Journal No. 11

Details	Acct No.	Debit	Credit
	(32)		
COMPENSATION OF OFFICERS	801-4033	89,494.81	
SALARY	801-0132		32,954.35
SALARY	801-4032		56,540.46
TO RECLASSIFY WAGES PAID TO RME & MAS AS COMPENSATION OF OFFICERS			
	(33)		
Office Equipment	423-XXV	15,126.83	
Unrecorded liabilities			15,126.83
TO RECORD FIXED ASSETS NOT RECORDED AS of 11/30/69. Addressograph Multigraph corp. copiers & duplicator			
	(34)		
Depreciation Expense	801-4099	945.55	
Accum Dep on O.E.	423-0005		945.55
to Record DEPR Expense on above portion to office equip.			
	(35)		
Deferred costs - 7 1/2 M note		2,586.52	
SEC Registration expenses		15,688.39	
Stationery & Printing	801-4065		13,214.91
Reclassify printing expenses;			
AD PRESS, LTD 2,586.52			
Song printing Co. 15,688.39			
			18,214.91
	TOTALS	123,642.10	123,642.10

General Journal

Date 11/30/69

Journal No. 12

[illegible]

THE FIRESTONE GROUP, LTD.

General Journal

E437

Date 11/30/69

Journal No. 13

Details	Acct No.	Debit	Credit
(40) Pending, syndication Unrecorded liabilities	REVERSE 12/1/69 512-3000	63,350.00	
Accrued unpaid attorney's fee per Frank, Keeney & Hallman's letter dated 11/30/69			63,350.00
(41) Research & development exp	801-0194	13,695.00	
Research & development cost w/o expense for 5 1/2 mo. ending 11/30/69			13,695.00
(42) Interest Expense	801-5555	50,106.82	
Interest Expense	801-4055	24,626.25	
Interest Expense	801-5555	5,294.83	
Accumulated amortization To accrue interest expense on various notes payable 11/30/69			22,863.60
Attach supporting schedules	page 1	11/30/69	11/30/69

E438

Journal No. P. 14

[illegible]

THE FIRESTONE GROUP, INC.

E439

General Journal

Date 11/30/69Journal No. P. 15

Details	Acct No.	Debit	Credit
(44)			
Deferred costs - Seminars		246,223.33	
Advertising & public relations	801-0339		91,255.99
Clerical Services & agency	801-0349		24,245.08
Postage	801-0363		15,154.05
Rent	801-0364		42,359.36
Stationery & printing	801-0365		15,035.91
Telephone & telegraph	801-0369		6,993.86
Travel	801-0368		30,994.63
Messenger & freight	801-0370		9,165.65
Equipment rental	801-0371		3,049.44
Professional services	801-0372		6,109.28
Tax interviews	801-0380		3,380.92
Addressing & mailing	801-0385		9,674.83
Lecture fees	801-0390		8,824.93
Defer direct costs for non-Calif. seminars			
(45)			
Seminars expenses		29,904.00	
Deferred costs - Seminars			29,904.00
Write off non-Calif. seminar costs for 11 mos. ending 11/30/69			
<div style="position: relative; height: 100px; width: 100%; border: 1px solid black;"> <div style="position: absolute; top: 0; left: 0; right: 0; bottom: 0; border-left: 1px solid black; border-right: 1px solid black;"></div> </div>			
Attach supporting schedules	TOTALS	291,123.33	291,123.33

Journal No. 9.16

[illegible]

E441

Journal No. 19

This image shows a full page of graph paper. It features a series of evenly spaced horizontal lines across the entire width. Two vertical lines are present: one on the left side creating a narrow margin, and another further right that divides the remaining space into two columns of different widths. The paper appears slightly aged or off-white.

THE FIRESTONE GROUP, LTD.

E442

General Journal

Date 11/30/69Journal No. 18

Details (52)	Acct No.	Debit	Credit
SDI TAX PAYABLE	601-1015	11.41 ✓	
PAYROLL TAX EXPENSE	801-0134	3347.13 ✓	
"	" - 0234	17.03 ✓	
"	" - 0334	176.36 ✓	
"	" - 0434	2180.06 ✓	
"	" - 0534	1134.88 ✓	
"	" - 4034	2572.56 ✓	
"	" - 5034	2614.99 ✓	
"	" - 6034	459.40 ✓	
FWT Payable	601-1011		1730.76
FICA TAX PAYABLE	" 1012		6073.94
SUI TAX PAYABLE	" 1013		5316.84
SSI TAX PAYABLE	" 1014		531.78
No. amount payroll expense accounts and related accounts			
(53)			
Supervision	801-0366	19,788.55 ✓	
Commission exp.	801-0350		19,788.56 ✓
Reclassify M. McLeod's commission			
Attach supporting schedules	000115	22,221.57	22,221.57

THE FIRESTONE GROUP, INC.

E443

General Journal

Date 11/30/69Journal No. 19

Details	Acct No.	Debit	Credit
(51)			
Deferred costs - Calif. Seminar	—	163,136.00	
Adv. & public relations	801-0339		48,314.20
Clerical service	" 0349		18,354.66
Postage	" 0363		12,013.30
Rent	" 0364		32,583.26
Stationery	" 0365		15,855.66
Tel. & Tel	" 0369		4,867.12
Travel	" 0368		9,601.94
Freight	" 0370		2,170.26
Equip. rent	" 0371		2,191.02
Professional service	" 0372		729.58
Tax expenses	" 0380		3,052.32
Addressing	" 0385		10,148.14
Lectures fees	" 0390		3,186.53
Defer California seminar cost.			

General Journal

Dato

Journal No. 20

Particulars	Acct No.	Debit	Credit
(55)			
Paid to interest		2000.—	
Interest payable			2000.—
Balance forward			
Received from [unclear]			
Received from [unclear]			
Received from [unclear]			
(56)			
D. [unclear] [unclear]		408462—	
[unclear] to [unclear]			408462—
[unclear] [unclear] [unclear]			
[unclear] [unclear]			

EXHIBIT A-20 - AUDIT REVIEW QUESTIONNAIRE

E445

Page 1 of 5.

AUDIT-REVIEW QUESTIONNAIRE

PAGE 1 IS TO BE COMPLETED BY THE ACCOUNTANT IN CHARGE. THE QUESTIONS ON PAGES 2 TO 5 ARE TO BE ANSWERED BY THE REVIEWER AFTER HE HAS COMPLETED HIS REVIEW OF THE WORKING PAPERS. ANY QUESTIONS ANSWERED IN THE NEGATIVE SHOULD BE FULLY EXPLAINED. ANY QUESTIONS NOT APPLICABLE TO THE ENGAGEMENT UNDER REVIEW SHOULD BE ANSWERED "N/A" AND EXPLAINED, WHERE NECESSARY.

Client: The Finestone Group, Inc. CLIENT NO. 1977
 Period ended 11/30/69 Last day in field 1/16/69
 Annual _____ Interim _____ Special (describe) 11/30/69

LETTER:	Financial statements	Other financial information
Opinion	<u>qualified</u> ✓	_____
Disclaimer	_____ *	_____ *
Without audit	_____	_____
Other	_____ *	_____ *

*Indicate qualifications, exceptions, etc., to be used in report letter and/or report preface:

acc, income (gross)

PERSONNEL:
 Manager M. A. Schwall
 Accountant in charge J. Pollard
 Staff R. Park
P. Levine
P. Schwall

EMPLOYEES PROGRESS REPORT SUBMITTED TO PERSONNEL (initial & date)

Re: Accountant in charge _____

Re: Assistants _____

ed by and date M. A. Schwall

AUDIT-REVIEW QUESTIONNAIREAUDIT PROGRAM:

Has the audit program been updated to reflect the current condition of internal control?

Yes No Not applicable

Was the audit program, including changes, approved by a partner?

a) Has an audit program been prepared for the next engagement, or

b) Has a memorandum been prepared containing suggestions for improvement of the audit program for the next engagement?

Was an investigation made as to whether material changes occurred from balance sheet date to date of report?

STATEMENTS & REPORTS:

Are the report and the scope of the examination in accordance with the terms of the engagement?

Is disclosure made if any assets are pledged or subject to lien or restriction?

Is disclosure made of material contingencies such as litigation, long-term leases, employment contracts, renegotiation, retained earnings restrictions, tax assessments, etc.?

Is disclosure made of material changes in accounting policies during the period?

Is disclosure made of the basis of valuing each material asset?

COMPLIANCE WITH APB OPINION REQUIREMENTS:

If investment tax credit is material, do the financial statements or the notes disclose the method of accounting therefor (APB Opinion No. 4)?

Do the financial statements or the notes disclose the minimum annual rentals of material leases and the period covered (APB Opinion No. 5)?

Are unearned discounts, finance charges or interest which are included in the face amount of receivable shown as a

AUDIT-REVIEW QUESTIONNAIRE

<u>PLIANCE WITH APB OPINION REQUIREMENTS: (con't.)</u>	<u>Yes</u>	<u>No</u>	<u>Not applicable</u>
Is any property, plant or equipment written up to reflect appraisal or market value which is above cost (APB Opinion No. 6)?		✓	
If the company engages in leasing activities as a lessor, are the principal accounting methods used in connection with its leasing activities disclosed (APB Opinion No. 7)?			✓
If the company has a pension plan, do the financial statements include the required disclosures of the details of the plan, the statement of the company's accounting and funding policies, provision for pension costs for the period, etc. (APB Opinion No. 8)?			✓
Are extraordinary items and prior period adjustments properly shown (net of applicable taxes) in the financial statements (APB Opinion No. 9)?			✓
If consolidated statements are involved, are all unconsolidated subsidiaries included by means of the equity method (APB Opinion No. 10)?	✓		
If there has been a business combination during the period which has been treated as a pooling of interests, are all comparative figures given pooled on the same basis (APB Opinion No. 10)?			✓
If the statements disclose preferred stock which has liquidation preference, are proper disclosures made (APB Opinion No. 10)?			✓
Are deferred taxes properly reported on the balance sheet and is tax expense in the income statement broken down between taxes currently payable and deferred taxes (APB Opinion No. 11)?	✓		
Are valuation allowances properly deducted from assets or group of assets to which they relate (APB Opinion No. 12)?	✓		
Are depreciation expense for the period, balances of major classes of depreciable assets, accumulated depreciation, and a general description of depreciation method properly shown in the financial statements (APB Opinion No. 12)?	✓		

AUDIT-REVIEW QUESTIONNAIREPLIANCE WITH APB OPINION REQUIREMENTS: (con't.)

<u>Yes</u>	<u>No</u>	<u>Not applicable</u>
------------	-----------	-----------------------

If the statements present both financial position and results of operations, do they disclose changes in all of the individual accounts comprising shareholders' equity (APB Opinion No. 12)?

✓

If financial statements disclose debt with detachable warrants to purchase stock, is accounting for the warrants proper (APB Opinion No. 14)?

✓

Does the income statement properly present earnings per share, including dual presentation if required (APB Opinion No. 15)?

✓

Is there a schedule or a note explaining the bases upon which both primary and fully diluted earnings per share are calculated (APB Opinion No. 15)?

✓

If complex securities are involved, do the financial statements or notes include a description sufficient to explain the pertinent rights and privileges of the various outstanding securities (APB Opinion No. 15)?

✓

ER:

Has a "management" letter been prepared, pointing out weaknesses in internal control, missing corporate minutes, etc.?

not yet

Was a representation letter received from the client?

✓

Was a representation letter received from the client's attorney?

✓

Do the corporate minutes reflect approval by the board of directors of salaries, dividends, major contracts, etc.?

✓

Has insurance coverage been tested for adequacy against the client's estimates of actual values?

✓

Have reasons been determined and noted for any major changes in assets, liabilities or operations (comparison of expenses) since the last audit?

✓

Was an ITR questionnaire prepared?

✓

E449

Page 5 of 5

AUDIT-REVIEW QUESTIONNAIRE

ER: (con't.)

YesNoNot
applicable

Is an MAS questionnaire appropriate for this client?

✓

If so, was one prepared?

with notes do Has a reconciliation been prepared explaining the
difference between net income per books, per
statement and per tax return? ✓Unanswered notes, queries and other items requiring
attention or follow up:

ELIOT HYMAN
680 Fifth Avenue
New York, N. Y. 10019

February 25, 1971

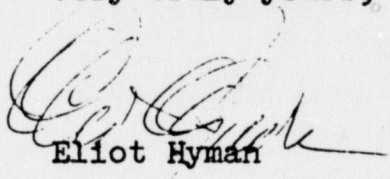
Allen & Company
30 Broad Street
New York, N. Y. 10004

Dear Sirs:

This will confirm that I have delivered to you one unit of The Firestone Group, Limited consisting of \$250,000 principal amount Promissory Note, due December 1, 1975, and 5,000 shares of Common Stock of said Company, and I have assigned to you all the right, title and interest in this unit, promissory note and shares and any and all choses in action or other claims or causes of action which I may have against The Firestone Group, Limited or any other person, arising in connection with my purchase of said unit.

I acknowledge that you have paid me \$100,000 in full consideration for the delivery of the securities and interests described above.

Very truly yours,


Eliot Hyman

CONFIRMED THIS DAY
OF FEBRUARY, 1971.

ALLEN & COMPANY

By: _____

*Child Party Defendants
Exh. A-22
10/25/73*

ALLEN & COMPANY
INCORPORATED

E451

30 BROAD STREET, NEW YORK, N. Y. 10004 • HANOVER 2 2600

December 20, 1971

E.E.S. Capital Associates
375 Park Avenue
New York, N. Y. 10022

Gentlemen:

This will confirm that you have sold to us and we have purchased from you for \$30,600 a total of 7,739 shares of Convertible Preferred Stock, Series A, and 150 shares of Common Stock of The Firestone Group, Ltd.

We acknowledge that you have delivered to us certificates for the aforesaid shares of Preferred Stock and Common Stock.

We also acknowledge that you have delivered to Allen & Company, Allen & Company Incorporated and The Firestone Group, Ltd., a general release.

Your signature at the foot of this letter is your confirmation of the transaction and your acknowledgement of the \$30,600 in full payment for the delivery of the aforesaid securities and release.

Very truly yours,

ALLEN & COMPANY INCORPORATED

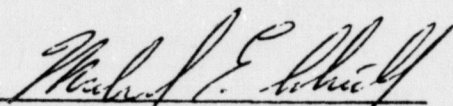
By:

Bernard Hock

CONFIRMED AND ACKNOWLEDGED:

E.E.S. CAPITAL ASSOCIATES

By:


General Partner

ALLEN & COMPANY
INCORPORATED

E452

30 BROAD STREET, NEW YORK, N. Y. 10004 • HANOVER 2 2600

August 4, 1971

Seskis & Wohlstetter
55 Broad Street
New York, N. Y.

Gentlemen:

This will confirm that you have sold to us and we have purchased from you for \$100,000.00 one unit of The Firestone Group Ltd. consisting of \$250,000.00 principal amount 9 1/2% promissory note due December 1, 1975 and 5,000 shares of common stock of said company.

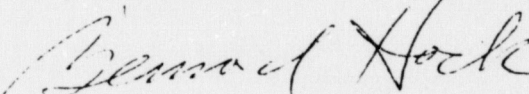
We acknowledge that you have delivered the aforesaid promissory note and shares to us duly endorsed for transfer and with signatures guaranteed.

We also acknowledge that you have delivered to Allen & Company, Allen & Company Incorporated and The Firestone Group Ltd. a general release.

Your signature at the foot of this letter is your confirmation of the transaction and your acknowledgement of \$100,000.00 in full payment for the delivery of the aforesaid securities and release.

Very truly yours,

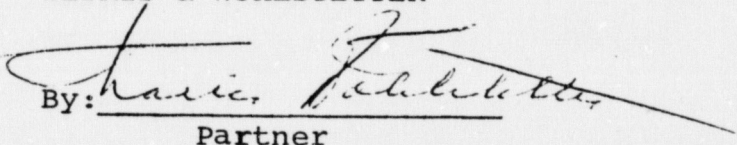
ALLEN & COMPANY INCORPORATED



By: Bernard Hock

CONFIRMED AND ACKNOWLEDGED:

SESKIS & WOHLSTETTER

By: 
Partner

ALLEN & COMPANY
INCORPORATED

E453

30 BROAD STREET, NEW YORK, N. Y. 10004 • HANOVER 2-2600

February 25, 1971

Dan ~~F~~^W Lufkin
United States Trust Company of New York
45 Wall Street
New York, New York 10005

Dear Mr. Lufkin:

This will confirm that you have sold to us and we have purchased from you for \$100,000.00, one unit of The Firestone Group Ltd. consisting of \$250,000.00 principal amount 9 1/2% promissory note due December 1, 1975 and 5,000 shares of common stock of said company.

We acknowledge that you have delivered the aforesaid promissory note and shares to us duly endorsed for transfer and with signatures guaranteed.

We also acknowledge that you have delivered to Allen & Company and Allen & Company Incorporated a general release.

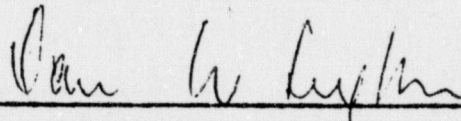
Your signature at the foot of this letter is your confirmation of the transaction and your acknowledgement of \$100,000.00 in full payment for the delivery of the aforesaid securities and release.

Very truly yours,

ALLEN & COMPANY INCORPORATED

Bernard Hock
Vice President

Confirmed and Receipt Acknowledged
this 25th day of February 1971.



Dan F. Lufkin

ALLEN & COMPANY
INCORPORATED

E454

30 BROAD STREET, NEW YORK, N. Y. 10004 • HANOVER 2-2600

March 8, 1971

Mr. David Merrick
246 West 44th Street
New York, New York

Dear Mr. Merrick:

This will confirm that you have sold to us and we have purchased from you for \$100,000.00, one unit of The Firestone Group Ltd. consisting of \$250,000.00 principal amount 9 1/2% promissory note due December 1, 1975 and 5,000 shares of common stock of said company.

We acknowledge that you have delivered the aforesaid promissory note and shares to us duly endorsed for transfer and with signatures guaranteed.

We also acknowledge that you have delivered to Allen & Company and Allen & Company Incorporated a general release.

Your signature at the foot of this letter is your confirmation of the transaction and your acknowledgement of \$100,000.00 in full payment for the delivery of the aforesaid securities and release.

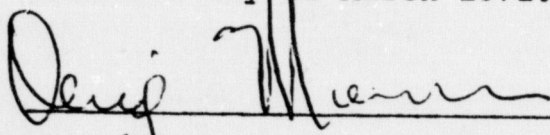
Very truly yours,

ALLEN & COMPANY INCORPORATED

/bg
Encls.

Bernard Hock, Vice President

Confirmed and Receipt Acknowledged
this 8th day of March 1971.


David Merrick

March 17, 1971

E455

Mr. Maurice Goodman
277 Park Avenue
New York, New York

Dear Mr. Goodman:

This will confirm that you have sold to us and we have purchased from you for \$100,000.00 one unit of The Firestone Group Ltd. consisting of \$250,000.00 principal amount 9 1/2% promissory note due December 1, 1975 and 5,000 shares of common stock of said company.

We acknowledge that you have delivered the aforesaid promissory note and shares to us duly endorsed for transfer and with signatures guaranteed.

We also acknowledge that you have delivered to Allen & Company, Allen & Company Incorporated and The Firestone Group Ltd. a general release.

Your signature at the foot of this letter is your confirmation of the transaction and your acknowledgement of \$100,000.00 in full payment for the delivery of the aforesaid securities and release.

Very truly yours,

ALLEN & COMPANY

bg
Encls.

By: Bernard Hock

Confirmed and Receipt Acknowledged
this 17th day of March 1971



Maurice Goodman

ALLEN & COMPANY

Established 1922

E456

30 BROAD STREET, NEW YORK, N.Y. 10004 • HANOVER 2 2000

April 8, 1971

Freeman & Gerla
430 Park Avenue
New York, New York

Dear Sirs:

This will confirm that the undersigned has this day purchased from you and you have sold to the undersigned a \$250,000 Promissory Note due December 1, 1975 of the Firestone Group, Limited.

We hereby acknowledge receipt of the Promissory Note duly endorsed for transfer and your signature at the foot hereof in the place indicated is your confirmation of this transaction and your acknowledgement of a check in the amount of \$100,000 payable to Botein, Hayes, Sklar & Herzberg, attorneys, in full payment for the aforesaid Promissory Note.

Very truly yours,

ALLEN & COMPANY

By: *Milton Felder*

CONFIRMED AND ACKNOWLEDGED:

FREEMAN & GERLA

By: *[Signature]*

Partner

ALLEN & COMPANY

Established 1922

E457

30 BROAD STREET, NEW YORK, N.Y. 10004 • HANOVER 2 1600

April 5, 1971

John H. Kaplan & Co.
120 Broadway
New York, N. Y. 10005

Dear Sirs:

This will confirm that the undersigned has this day purchased from you and you have sold to the undersigned a \$250,000 Promissory Note due December 1, 1975 of the Firestone Group, Limited.

We hereby acknowledge receipt of the Promissory Note duly endorsed for transfer and your signature at the foot hereof in the place indicated is your confirmation of this transaction and your acknowledgement of a check payable to your order in the amount of \$100,000.

Very truly yours,

ALLEN & COMPANY

By: Milton Feline

CONFIRMED AND ACKNOWLEDGED:

JOHN H. KAPLAN & CO.

By: Jack Friedlander

Jack Friedlander
Attorney

Mid Party Defendants
Exh. A-23
10/23/73

EXHIBIT A-23 - LETTER FROM MAURICE GOODWAY TO
ALLEN & CO. DATED OCTOBER 23, 1973

E458

October 23, 1973

Allen & Company
30 Broad Street
New York, New York 10004

Dear Sirs:

This letter will confirm that in consideration of your purchase of \$250,000 principal amount of 9-1/2% Promissory Notes of the Firestone Group, Ltd. due December 1, 1975 from the undersigned for good and valuable consideration, the undersigned has assigned to you all the right, title and interest in said Promissory Notes and all choses in action or other claims or other causes of action which the undersigned may have against the Firestone Group, Ltd. or any other person, including, without limiting the generality of the foregoing, Laventhol, Krekstein, Horwath & Horwath, arising in connection with the undersigned's purchase of said Promissory Notes.

Very truly yours,

Maurice Goodway

E459

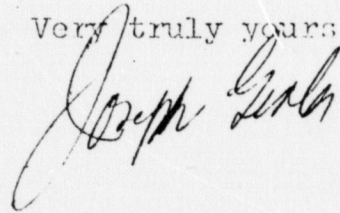
October 23, 1973

Allen & Company
30 Broad Street
New York, New York 10004

Dear Sirs:

This letter will confirm that in consideration of your purchase of \$250,000 principal amount of 9-1/2% Promissory Notes of the Firestone Group, Ltd. due December 1, 1975 from the undersigned for good and valuable consideration, the undersigned has assigned to you all the right, title and interest in said Promissory Notes and all choses in action or other claims or other causes of action which the undersigned may have against the Firestone Group, Ltd. or any other person, including, without limiting the generality of the foregoing, Laventhol, Kreckstein, Horwath & Horwath, arising in connection with the undersigned's purchase of said Promissory Notes.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Joseph L. Galt", written in a cursive style.

E460

October 23, 1973

Allen & Company Incorporated
30 Broad Street
New York, New York 10004

Dear Sirs:

This letter will confirm that in consideration of your purchase of \$250,000 principal amount of 9-1/2% Promissory Notes of the Firestone Group, Ltd. due December 1, 1975 from the undersigned for good and valuable consideration, the undersigned has assigned to you all the right, title and interest in said Promissory Notes and all choses in action or other claims or other causes of action which the undersigned may have against the Firestone Group, Ltd. or any other person, including, without limiting the generality of the foregoing, Laventhol, Krekstein, Horwath & Horwath, arising in connection with the undersigned's purchase of said Promissory Notes.

Very truly yours,

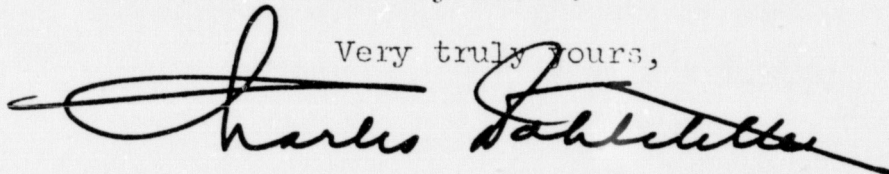
A handwritten signature in dark ink, appearing to read "Charles Fahlstetter". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EXHIBIT A-24 - ORDER

E461

(SPACE BELOW FOR FILING STAMP ONLY)

RONALD E. GORDON, a member of
LAW OFFICES OF
BUCHALTER, NEMER, FIELDS & SAVITCH
(A PROFESSIONAL CORPORATION)
727 WEST SEVENTH STREET
LOS ANGELES, CALIFORNIA 90017
TELEPHONE 627-9751

Attorneys for Reorganized Debtor

(ENDORSED) Filed JUL 3 1973
at Min. Post of clock M.
RONALD WALKER
Referee in Bankruptcy

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

In the Matter of
THE FIRESTONE GROUP, LTD.,
a Delaware corporation,
Debtor.

In Proceedings for an
Arrangement - NO. 89114
ORDER (Application for
Determination of Fair Values
of Considerations, Other
Than Money)

At Los Angeles, California, in said District, on the
3 day of July, 1973.

The Application of The Firestone Group, Ltd., the
above-named Debtor, now known as Transcontinental Resources,
Inc., for Determination of Fair Values of Considerations,
Other Than Money, duly came on for hearing before the undersigned
Referee in Bankruptcy on June 20, 1973, at the hour of 2:00 P. M.
Ronald E. Gordon of the law firm of Buchalter, Nemer, Fields &
Savitch, a Professional Corporation, appeared on behalf of the
Reorganized Debtor. Robert A. Greenfield of the law firm of
Quittner, Stutman, Treister & Glatt, a Professional Corporation,
appeared on behalf of the Co-Receivers, Irving Sulmeyer and
Arnold L. Kupetz. After hearing from counsel for the
Reorganized Debtor and the Co-Receivers and evidence having
been offered as to the value of the preferred stock issued to
creditors pursuant to the arrangement, and good cause appearing,
it is

ORDERED, ADJUDGED AND DECREED:

E462

1. That the fair value of the preferred stock distributed pursuant to the arrangement confirmed by the Court is fixed in the sum of \$1.07 per share as of October 1, 1971;

2. That the value of \$1.07 per share for the preferred stock issued in the arrangement shall be used in computing the Referee's Salary and Expense Fund and the Co-Receiver's' fees.

July 3, 1973

RONALD WALKER
REFeree IN BANKRUPTCY

APPROVED AND AGREED TO

JUNE 28, 1973.

S/ Robert A. Greenfield
ROBERT A. GREENFIELD of
QUITTNER, STUTMAN, TREISTER & GLATT,
a Professional Corporation,
Attorneys for the Co-Receiver

I hereby attest and certify on July 23 1973
that the foregoing document is a full, true and correct
copy of the original on file in my office, and in my
legal custody.

RONALD WALKER

BANKRUPTCY CLERK
CLERK, U.S. DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

By Thalia M. Chapman Deputy

1/ Acc
stitut

4. Retention of effective control of the property by the seller.
5. Limitations and restrictions on the purchaser's profits and on the development or disposition of the property.
6. Simultaneous sale and repurchase by the same or affiliated interests.
7. Concurrent loans to purchasers.
8. Small or no down payment.
9. Simultaneous sale and leaseback of property.

Any such circumstance, taken alone, might not preclude the recognition of profit in appropriate amount. However, the degree of uncertainty may be accentuated by the presence of a combination of the foregoing factors. In the following illustrative cases, taken from recent filings, the Commission deemed it inappropriate to recognize gross profit as recorded as having been realized at the time of sale.

Case No. 1

On the last day of its fiscal year a registrant engaged principally in the development of real estate sold a block of 1,000 lots to a non-affiliated construction company for \$1,100,000, receiving a cash payment of \$100,000 and a nonrecourse note of \$1,000,000 due in one year, secured only by the lots transferred. Interest was limited to 6% for one year or \$120 per house. A profit of \$500,000 before taxes was recorded on the transaction.

The transaction was subject to, among others, the following conditions and arrangements:

- a. Each lot was to be released upon payment of \$1,000 plus interest at the time of closing the sale of a house and lot.
- b. The registrant was to make the determination of when the houses were to be constructed and to arrange the construction loans.
- c. The registrant was to be exclusive sales agent for the construction company, arrange financing and conduct closings with the home buyers.
- d. The construction company was to be paid a maximum of \$500 profit and an additional \$100 to cover overhead expenses on each house sold. Profits to be received by the construction company were to be applied against the note owed to the registrant.

Case No. 2

In September 1961 a registrant sold a block of improved properties to another corporation for consideration of \$3,500,000 in cash, a \$3,500,000 non-interest-bearing note, and 50,000 shares of the Class A stock of the purchaser which had a current market price of \$15 per share. This sale was recorded at these amounts and showed a gain of \$2,000,000 after provision of \$500,000 for possible loss and \$1,000,000 for Federal income taxes. The non-interest-bearing note is payable during the period from 1970 to 1980. Until 1966 the purchaser has the option of liquidating the note by the issuance of capital stock, the number of shares to be determined by dividing the face amount of the note, \$3,500,000, by the lesser of \$15 per share or 125% of the then current market price. After 1968 registrant may call for payment of the note in stock at \$17 per share, and, if such call is made, the purchaser may elect to pay the note in full in cash.

Case No. 3

In September 1961 a registrant acquired approximately 500 acres of undeveloped land for \$300,000 in cash and a mortgage of \$900,000 and immediately sold the property to an affiliate of the original seller for \$2,200,000. The purchaser paid \$300,000 in cash, issued a \$1,000,000 non-interest-bearing deed of trust note maturing in 18 months, and assumed the \$900,000 mortgage. Simultaneously the registrant loaned \$1,000,000 to the purchaser on a 6% note maturing in 18 months and made a commitment to loan an additional \$1,000,000. Registrant recorded a gross profit of \$1,000,000 against which a reserve for possible loss in the amount of \$260,000 was provided.

Case No. 4

In June 1961 a registrant purchased 20,000 acres of undeveloped land for \$1,000,000 cash and a 5% note for \$3,000,000. Simultaneously, the registrant sold the property to another company for a \$2,000,000 non-interest-bearing deed of trust note payable in installments of \$1,000,000 in June 1962, \$500,000 in June 1963, and \$500,000 in June 1964, and for the assumption by the purchaser of the \$3,000,000 first lien note. A gross profit on the sale of \$1,000,000 was recorded and a reserve of \$400,000 was provided for a possible loss.

Case No. 5

A registrant purchased a tract of land for a cash payment of \$100,000 and a 10-year nonrecourse non-interest-bearing note in the amount of \$800,000 with annual maturities of \$80,000. On the same date the land was sold to a non-affiliated group for a cash payment of \$15,000 and a nonrecourse non-interest-bearing purchase money note for \$1,785,000. The latter obligation requires annual payments of approximately \$100,000 for seven years and a payment of approximately \$1,100,000 at the end of the eighth

year. At the time of the sale the registrant also advanced to the purchaser \$350,000 for use in advertising. The proceeds from the sales of land by the purchaser are assigned to the registrant until the \$350,000 advance is paid. The registrant recorded a profit of \$900,000 at the date of sale.

Case No. 6

Shortly before the close of its fiscal year a registrant recorded the sale of a block of 150 lots for a total consideration of \$375,000. Cash of \$75,000 was paid on the settlement date and the purchaser then took title to 30 lots. The balance of the consideration consisted of four notes of \$75,000 each bearing interest at 5% per annum, due 6, 12, 18, and 24 months after settlement. The purchaser was to take title to 30 lots at the time of settlement of each note. The notes were secured only by a mortgage on the property, and there was no personal liability on the purchaser to complete the payments. In a registration statement filed shortly after the close of the fiscal year this transaction was recorded as a sale in the total amount of \$375,000 with an indicated gross profit of \$44,000 on the uncollected portion after provision for deferred taxes of \$47,000.

Case No. 7

In early 1960 a registrant sold to an unaffiliated purchaser a manufacturing plant and another building used in its operations for a total consideration of \$1,500,000 reflecting a profit of \$600,000 after taxes. The consideration was realized in the form of cash and assumption of an existing mortgage. The seller simultaneously leased these same properties back at an annual rental of \$160,000 for a period of 25 years. The registration statement as effective reported the profit as deferred and to be amortized against rental payments over the life of the leases.

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SECURITIES AND EXCHANGE COMMISSION
U. S.
POSTAGE AND FEES PAID

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON 25, D. C.
OFFICIAL BUSINESS
RETURN AFTER FIVE DAYS

Third Party Defs
Ex A-27
10/26/73

EXHIBIT A-27 - ACCOUNTING FOR RETAIL LAND SALES E467

Accounting for Retail Land Sales

Prepared by the Committee on Land Development Companies of the
American Institute of Certified Public Accountants

chaser's general credit and is collateralized by a first mortgage on the land. The seller makes credit checks as a regular procedure.

- c. The ratio of the loan to the value of the land is low enough that local banks and savings and loan institutions would loan money on the property at similar rates, and it is clearly evident that the purchaser's notes are marketable at banks without substantial discount and without recourse to the seller.

If all of the foregoing conditions exist, many of the specific recommendations for retail land sales companies in this guide do not apply because the earnings process is complete and an exchange at a readily measurable price has taken place.

Timing of Revenue and Income Recognition

10. Statement of the Accounting Principles Board No. 4 (October 1970) describes realization as a pervasive measurement principle as follows:

P-2. *Realization.* Revenue is generally recognized when both of the following conditions are met:

- (1) the earning process is complete or virtually complete, and
- (2) an exchange has taken place.⁴

Implicit in the realization principle is the assumption that consideration received in the exchange can be valued with reasonable certainty.

11. Statement No. 4 indicates that "unearned revenue"⁵ results if money is received or amounts are billed in advance of delivery or performance. Furthermore, revenue is sometimes recognized on bases other than the realization principle, i.e., as the earning process takes place (e.g., long-term construction contracts) or on completion of production (e.g., precious metals or farm products with assured sales prices).⁶

⁴ Statement of the Accounting Principles Board No. 4, *Basic Concepts and Accounting Principles Underlying Financial Statements of Business Enterprises*, October 1970, p. 59.

⁵ *Ibid.*, p. 60, para. 153.

⁶ *Ibid.*, p. 59, para. 152.

12. The "realization point" indicates the accounting period in which revenue and expenses should be matched to measure the income or loss resulting from the business activity. Costs (other than selling costs) that are incurred in anticipation of revenue should be deferred until the related revenue is recognized. Costs expected to be incurred after the "realization point" ("after costs") must be accrued to properly measure periodic income (loss).

13. The principle of realization presupposes that title will be transferred at or before the time of profit recognition. Delay in conveyance of title may occur in the real estate industry for a variety of reasons and does not require deferring profit recognition for an otherwise acceptable transaction if the purchaser has the right to receive title when the receivable is paid or at the end of the normal contract period. Receipt of option deposits does not constitute a recordable sale under the realization principle.

14. Since a strict application of the realization principle might not provide the most meaningful financial reporting in all cases, certain modifying conventions have been developed. Those modifying conventions are usually applied if the earning process extends over several accounting periods, necessitating a reasonable attempt to measure results of operations in each accounting period. The modifying conventions that apply to retail land sales are described below.

Recording of Sales

15. The characteristics of "sales" in the retail land sales industry—small down payment, unenforceability of the sales contract by the seller, customer refunds within an established cancellation period—require that criteria be established to determine when a sale should be recorded for accounting purposes. The Committee believes that recognition of a sale should be deferred until certain conditions are met that indicate that (a) the customer seriously intends to complete the contract and (b) the company is capable of fulfilling its obligations under the contract so that customers cannot later demand and receive refunds for failure to deliver. Accordingly, contracts should be recorded as sales only when all the following conditions are met:

- a. The customer has made the down payment and each regularly required subsequent payment until the period of cancel-

lation with refund has expired. That period should be the longest of the period required by local law, established by company policy, or specified in the contract, regardless of whether refunds are available through simple notification, site visitation, or otherwise.

- b. The aggregate payments (including interest) equal or exceed 10 percent of the contract sales price.
- c. The selling company is clearly capable of providing both land improvements and offsite facilities promised in the contract and of meeting all other representations it has made. Its current and prospective financial capabilities are sufficient to provide reasonable assurance that it will be able to fund or bond the planned improvements in the project when required. That ability may be demonstrated by the company's adequate equity capitalization, or its borrowing or bonding capacity, or a continuing positive cash flow from operations.

Companies may, of course, establish more restrictive requirements for determining the point at which a sale should be recorded.

16. Until all three conditions are met, monies collected should be recorded as deposits. (See "Deposit Accounting," paragraphs 47 and 48.)

Accounting Method for Recording Income (Accrual vs. Installment)

17. If a sale is recorded, the method of accounting for the income from it depends on the degree to which it is expected that the resultant receivable will be collected in full. Normally, the accrual method of accounting is required for sales transactions in most industries unless the circumstances are such that collection of the sale price is not reasonably assured, in which case "either the installment method or cost recovery method of accounting may be used."

18. Since a customer usually has the option to discontinue payments on a retail land contract at any time, though forfeiting his investment if the refund period has expired, various factors

¹ APB Opinion No. 10, Omnibus Opinion (Installment Method of Accounting), December 1966, para. 12, footnote 8.

